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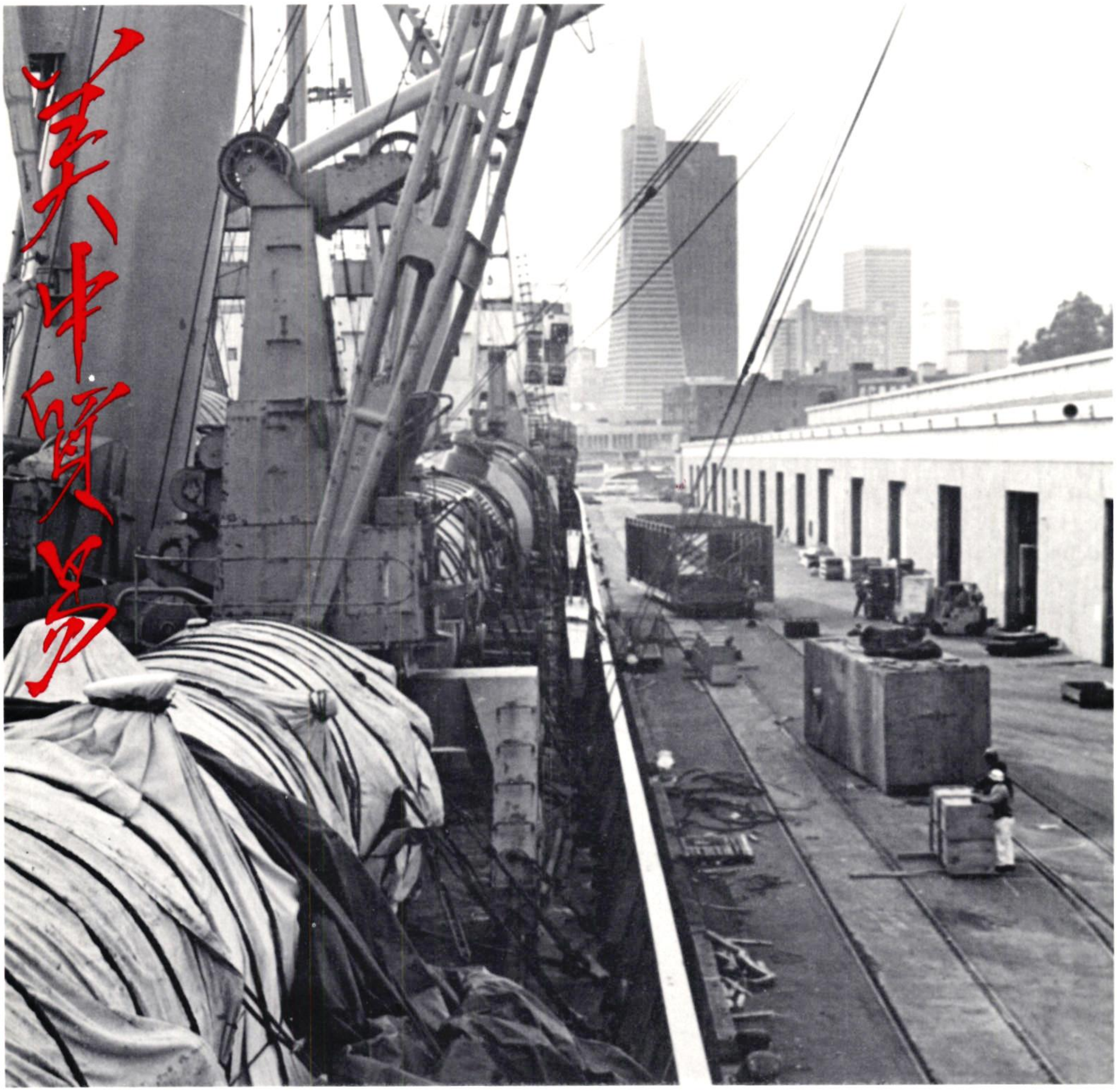

TRANSLATION SERVICES OF THE NATIONAL COUNCIL

The National Council provides translation services for member companies and other firms wishing to have material translated into modern, simplified Chinese characters.

In all business contacts with the People's Republic of China, having correspondence, brochures, and other information translated into the script presently used in China facilitates communications with China's trade organizations. This is because China has limited translation resources: information received in China in Chinese can be disseminated and responded to much faster than if the correspondence is in English.

It is very important for the Chinese characters used in correspondence with Chinese trade authorities to be clear, fluid, and well-drawn. It is important to recognize that present terminology and style of business correspondence used among overseas Chinese differ considerably from that now in use in the People's Republic of China.

Services Offered

The National Council offers a translation service, with strict quality control, for all companies involved in business with China for translation of:

- Correspondence
- Business Cards
- Brochures and Pamphlets
- Summary of Technical Data
- Advertisements
- Catalogues
- Any other form of communication required

These services also include review, revision and correction of translations, both written and oral, made via other agencies in the U.S. and elsewhere, and referral to printing houses possessing modern Chinese ideographic forms.

As information that companies wish to convey to the Chinese normally includes technical terms, the Council's services also include a reference system of leading Chinese-speaking authorities in the U.S. in all major technical fields. These include those of applied mathematics, physics, biochemistry, civil engineering, construction, electrical engineering, medical technology, metallurgy, statistics, computer sciences, heavy engineering, textile machinery, electronics and petroleum technology.

The Council also has an extensive set of reference works available including specialized dictionaries, atlases, and recent literature from China.

In the preparation of Chinese script, the following processes are involved: initial translation, research for technical terms, reference to specialized dictionaries, calligraphic copying, and final checking of contents.

To insure strict quality control, the translators used by the Council have been screened by authorities on modern Chinese usage. The services made available by the Council are also often recommended by the Washington Liaison Office of the People's Republic of China.

Charges

Translation charges depend on the type and extent of translation involved. Charges are increased for work needed at short notice. Fees are based on an hourly charge, plus additional cost if additional translation consultations with specialists are involved. There is a reduced hourly rate for members of the National Council. Non-members pay a higher rate. Estimates may be obtained in advance without charge. All services are provided in the strictest confidence.

NUMBER 1—VOLUME 2—JANUARY-FEBRUARY 1975

US. CHINA BUSINESS REVIEW

EDITOR: NICHOLAS H. LUDLOW · ASSISTANT EDITORS: PETER D. WEINTRAUB AND SUZANNE R. REYNOLDS

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Front Cover: With San Francisco in the background, a shipment of parts of the M. W. Kellogg ammonia plants bound for China is made ready for the voyage across the Pacific, December 1974.

The U.S. CHINA BUSINESS REVIEW is published bimonthly by the National Council for US-China Trade, 1100 17th Street N.W., Suite 513, Washington, D.C. 20036 USA. The National Council is a non-profit organization incorporated under the laws of the District of Columbia. The U.S. CHINA BUSINESS REVIEW is published principally for members of the National Council. Second class postage pending at Washington, D. C. The magazine is available for subscription in the US and Canada at $60 per year; elsewhere at $75 a year including airmail postage. Single copies are available only to members.

The National Council for United States-China Trade is grateful to His Excellency Huang Chen, Chief of the Liaison Office of The People's Republic of China in Washington, for the calligraphy on the front cover of the U.S. China Business Review.

COUNCIL CALENDAR

NEW YORK, January 15
Vice President Theroux addressed the International Executives Association on the topic of China Trade.

WASHINGTON, D.C., January 16
The first luncheon meeting of the Council's Academic Advisory Board for Washington Representatives was held.

WASHINGTON, D.C., January 18
Members of the Council Staff and Commerce Department China Desk were given a special showing of the Chinese Archaeological Exhibition at the National Gallery of Art.

NEW YORK, February 5
Vice President Theroux will speak to the International Industrial Marketing Club on all aspects of doing business with China.

HOUSTON, February 6
President Phillips will discuss "Marketing Petroleum Equipment to the People's Republic of China" at a Marketing Symposium sponsored by Economic Research Consultants, Inc.

NATIONAL, February 15
The Textile Delegation from the People's Republic of China will arrive in the US, hosted by the National Council.

NEW YORK, February 25
The National Council will hold an all-day seminar for its banking members on negotiating with the Chinese. Guest speakers will include China experts and members of the Council's Academic Advisory Board.

SEATTLE, February 27
In cooperation with the Seattle Port Authority, the National Council is sponsoring an all-day conference on Importing from and Exporting to the People's Republic of China. Guest speakers will include Assistant Secretary of State Habib and Governor Evans of Washington.

WASHINGTON, D.C., March 6
President Phillips will deliver a speech at the Washington Export Council.

KWANGCHOW, April 15-May 15
Eugene A. Theroux and Clark T. Randt, Jr. will represent the Council at the 37th Chinese Export Commodities Fair. The Council will coordinate its business at the Fair with AMCHAM Hong Kong.

HOUSTON, April 16
President Phillips will speak at the First Annual World Trade Conference on doing business with the People's Republic.

WASHINGTON, D.C., May 2
The National Council will join Hong Kong Amcham representatives presenting a program on US-China trade at the annual Asian-Pacific Council of American Chambers of Commerce (APCAC) Washington seminar to be held under the auspices of the Chamber of Commerce of the USA.

WASHINGTON, D.C., June 2
The National Council for US-China Trade will hold its Second Annual Meeting at the Mayflower Hotel.

CHINA AND THE TRADE ACT OF 1974

Jay F. Henderson, Nicholas H. Ludlow and Eugene A. Theroux

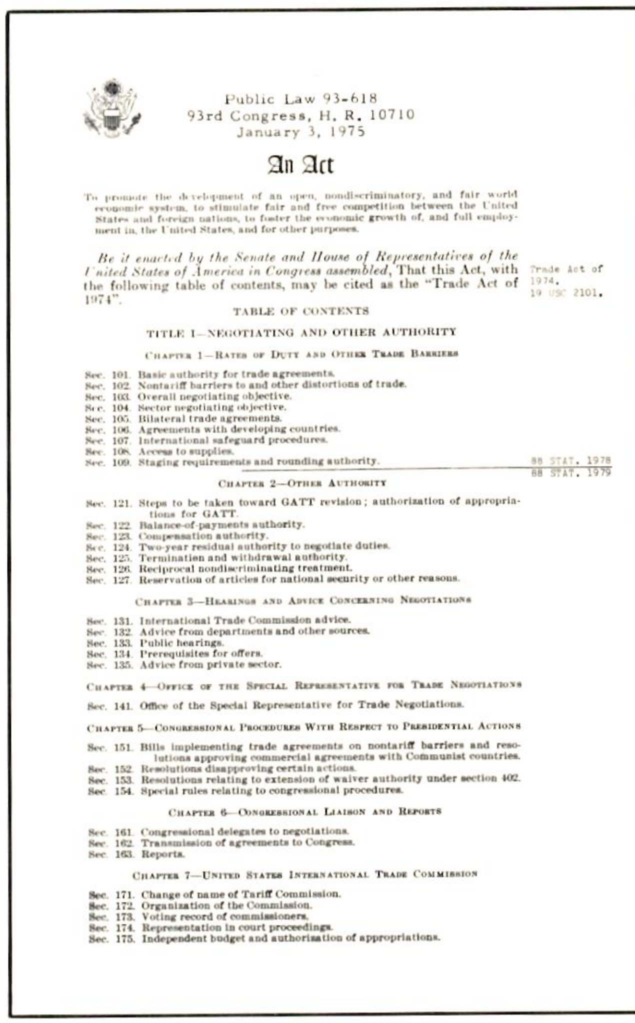
The Trade Act of 1974, the first major trade legislation in the United States since 1962, became Public Law 93–618 on January 3, 1975. Its effects on the future of Sino-US trade will undoubtedly be significant; what those effects will be remains to be seen. All told, the legislation establishes an important new framework for trade.

The purpose of the Act is to "promote the development of an open, nondiscriminatory, and fair world economic system, to stimulate fair and free competition between the United States and foreign nations, to foster the economic growth of, and full employment in, the United States, and for other purposes." The objectives of the law are to be achieved "through trade agreements affording mutual benefits."

The Act has provisions relating to Presidential negotiating authority concerning tariffs, nontariff barriers, international safeguard procedures, GATT revisions and other matters; relief from injury caused by import competition; relief from unfair trade practices; trade relations with countries not currently receiving non-discriminatory treatment; a generalized system of preferences for developing countries; and a number of miscellaneous matters, one of which calls for a study, long overdue, to be submitted to the President by August 1, 1975, on unifying import, export, and production classifications (Schedules A and B and the SIC).

For China traders the 99-page Act has a particularly positive aspect. It empowers the President, for the first time, to extend most-favored-nation tariff status (MFN) to the products of non-market countries which do not have it, including the People's Republic of China, as part of bilateral commercial agreements and provided certain conditions are met in such an agreement. The road to MFN for China is not yet perfectly smooth, but now at least it exists. And none of the obstacles should be insurmountable.

The law outlines in detail what the minimum provisions of a bilateral commercial agreement must be. Before such an agreement can become effective, both the Senate and the House of Representatives must vote affirmatively for its approval. A requirement of this type of Congressional approval is unprecedented. Furthermore, a contro-



Public Law 93-618
93rd Congress, H. R. 10710
January 3, 1975

An Act

To promote the development of an open, nondiscriminatory, and fair world economic system, to stimulate fair and free competition between the United States and foreign nations, to foster the economic growth of, and full employment in, the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Trade Act of 1974". Trade Act of 1974. 19 USC 2101.

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The Trade Act of 1974—opens the way to MFN for China

versial provision calling for freedom of emigration represents another potential problem.

It would be misleading to suggest, then, that enactment of the new trade legislation will be an immediate boon to the China trade. But, if everything goes well, China could have MFN within the foreseeable future.

In the broader context, the Act authorizes the President to engage in multilateral negotiations for reductions in duty rates via the General Agreement on Tariffs and Trade (GATT), authority that terminated in 1967. The significance of these negotiations cannot be overemphasized. As of February 11, 1975, representatives and observers from over one hundred nations will participate in talks to reduce world tariff and non-tariff barriers. Among those represented will be Cuba, Czechoslovakia, Poland, Romania, and Yugoslavia, all of which are members of GATT. China is understood to have two observers in Geneva attached to UNCTAD, which cosponsors the International Trade Centre with GATT. Though China is not a GATT member, these representatives might observe the GATT talks.

The negotiations have significance for US-China trade since the more regular tariffs are reduced, as a result of the GATT talks, the greater will be the differential between the concessionary tariff rates (Column I) and the higher statutory rates (Column II) which apply to China. The forthcoming negotiations will result in the further reduction of concessionary rates. Thus, the disparity between tariff rates on goods from China and those from other nations will grow, and the importance to China of MFN treatment will increase. This disparity has already widened as a result of tariff reductions negotiated during the various 'Rounds' continuing since 1934 when Column II rates were fixed by Congress. If China is extended MFN by the US, she will become a beneficiary of GATT-reduced Column I rates whether or not she is a member of GATT.

On another level, the Act provides a long-awaited authority for the US to enter into and implement provisions of the GATT. While the complexity of the law of GATT is legend (Senator Millikin in the 1951 Senate Finance Committee Hearings declared "Anyone who reads GATT is likely to have his sanity impaired"), the importance of the GATT as an international institution ranks with other world agencies such as UNCTAD, FAO, and ICAO, and, as with those agencies, may attract China's serious attention and consideration of membership. The new US trade law underscores the importance of GATT's role.

Finally, there is the matter of the claims settlement with China, yet to be resolved. This issue may be resolved before negotiations on a commercial agreement with the PRC begin. Technically speaking, the Act does not require a settlement of the claims before trade negotiations start.

TRADE RELATIONS WITH COUNTRIES WHOSE PRODUCTS ARE NOT CURRENTLY RECEIVING MFN (NONDISCRIMINATORY) TREATMENT IN THE US MARKET

By far the most important section of the Act concerning China is Title IV. Under this section, the President is authorized to extend nondiscriminatory treatment (i.e. MFN) to non-market nations currently denied such treatment, providing certain conditions are met. Until the PRC obtains MFN, the other major sections of the new law apply only secondarily to Sino-US trade.

Once nondiscriminatory treatment is extended to a nation, its products would be subject to the Column I US Tariff Rates. At present, the average rate of duty paid by non-market countries subject to Column II rates is about 24 percent as compared to an average rate of 8.6 percent for Column I rates. In many cases, as importers of Chinese goods know, these Column II rates exceed those of Column I by three or four times.

Congressional Procedure

Without Congressional delegation of authority the President cannot extend MFN. The Trade Act authorizes the President to implement a bilateral commercial agreement under special procedures to ensure that the proclamation extending MFN is subject to a vote on its merits by Congress. These procedures are defined under Section 151 of Title I. While Congress refused to delegate unconditional authority to the President to extend MFN in the Act, it did establish clear-cut rules for the promulgation of a bilateral commercial agreement making MFN possible.

The day on which the President transmits to the Congress a bilateral commercial agreement, the Senate and the House of Representatives must begin to consider an approval resolution. In the Senate the resolution is first referred to the Finance Committee; in the House, it goes to the Committee on Ways and Means. Within 45 days the resolution must be out of committee and submitted for final consideration by each legislative body. No amendments are allowed and debate is limited to 20 hours. Within 15 days of reaching the floor, the vote on final passage of the resolution must be taken in both Houses of Congress. This procedure is intended to prevent any proposed extension of MFN from defeat through Congressional inaction.

The role of Congress in shaping US trade policy is, of course, well established. No less an authority than the United States Constitution, in Articles I, Section 8, gives to the Congress—not to the President—the exclusive power to lay and collect taxes and duties and regulate commerce with foreign nations. While the new law grants the Chief Executive significant latitude in these respects, it also makes clear that Congress does not intend to lose its own function to the President. The approval procedure to which any trade accord with China is subject is an example of this.

President Nixon's failure in 1972 to include any Member of the Senate or House of Representatives in his Moscow entourage when he signed the US-USSR trade agreement has been cited by some as the kind of demonstrated insensitivity to legitimate Congressional interests and prerogatives which may explain the Congressional refusal to grant to the President advance authority to implement trade agreement with Communist countries.

Freedom of Emigration

This part of the new law imposes several conditions on the delegation of authority to the President to extend nondiscriminatory treatment. Section 402, an amendment sponsored by Senator Henry Jackson, with significant implications, provides that no country would be eligible to receive MFN, or US government credits, credit guarantees or investment guarantees if the President determines that the country in question denies or impedes its citizens from exercising the right or opportunity to emigrate.

However, a compromise over this amendment was reached at the eleventh hour before final passage of the Act. It authorizes the President to waive the freedom of emigration requirements for a period of 18 months, if he reports to the Congress that the waiver will substantially promote the free emigration objectives and that he has "received assurances" that the concerned country's emigration practices will lead substantially to free emigration. The waiver authority, described in very complex language, extends for an 18-month period after the date of the bill's enactment and may be renewed for one year periods thereafter, subject to Congressional review. The President may terminate nondiscriminatory treatment at any time.

The principal nation to which the amendment requiring freedom of emigration was intended to apply is the Soviet Union and its policies of restricted emigration which have delayed or prevented Jews from leaving the USSR for Israel. Even with the waiver, however, the rippling effects of this amendment cannot be underemphasized. The requirement of free emigration as a condition precedent to obtaining and keeping MFN tariff treatment applies not just to the Soviet Union but, as Secretary Kissinger acknowledged in testimony before the Senate Finance Committee, to the People's Republic of China and the Eastern European countries (except Poland and Yugoslavia) as well. Kissinger followed his acknowledgement that the amendment applied to China with the possibly portentous observation that "it would, however, present massive difficulties if we attempt to apply it to China."

Emphasizing Congressional concern over a related subject is another amendment by Senators Helms and Thurmond which would similarly refuse credits and MFN to a non-market country which refuses to permit its citizens to emigrate to join a close relative in the US. But this adds no further legal requirements to the Jackson amendment, and would be subject to the same waiver.

Obviously, as each non-market country becomes eligible for MFN, and unless the law is changed in response to Moscow's repudiation of such conditions, the emigration policies of the other country will be scrutinized by the Congress and it will be necessary for the President to receive assurances with respect to free emigration if the extension of MFN through a bilateral trade agreement is to be effected.

Congress may decide not to extend the waiver authority during the 105-day period following the initial 18 months authority and during the 45 day periods following the expiration of each yearly extension by disapproving the President's request for an extension. The waiver authority cannot, however, expire through Congressional inaction.

On the whole, the Jackson amendment represents a continuing threat to successful negotiation of a bilateral trade agreement and subsequent extension of MFN to the People's Republic of China. Even if China's emigration policies were more liberal than those of the United States, the PRC may not wish to attest to that fact while negotiating a commercial trade agreement which will be subject to subsequent Congressional scrutiny on the point.

The Claims Hurdle

The US position on granting MFN to China was outlined by Secretary of State Henry Kissinger in the Senate Hearings on the Trade Bill, March 7, 1974.

He said: "We began by seeking Chinese agreement on a means of settling private claims of American citizens for compensation of property taken from them by the PRC after 1949. Agreement in principle was reached in February 1973 and negotiations on details of a settlement agreement are continuing. We have taken the position with the Chinese that once a claims settlement agreement has been concluded, we will be prepared to enter into discussions leading to the extension of MFN in return for comparable concessions by the PRC."

There has been no Sino-US accord on the pending claims matter. One addition to the new Act could complicate an eventual settlement of the claims problem. Among the last-minute changes in the legislation was an amendment which has the effect of nullifying the agreement reached between the US and Czechoslovakia with respect to the settlement of private claims of American citizens. The Congress was persuaded that the settlement arrived at by State Department negotiators—about 40 cents on the dollar—was unfair to claimants. Thus, the new trade law—in an unprecedented action—requires that a settlement be renegotiated with the Czechs and submitted to the Congress as part of any US-Czech bilateral trade agreement. It appears that no trade concessions, MFN or otherwise, will go to Czechoslovakia until the Congress is satisfied that US claimants will get a better deal. In response to this part of the Act, Czechoslovakia in January cancelled the settlement, which had been initiated on July 5, 1974.

While this section does not apply to China, it could become a troublesome precedent should eventual setlement of the Sino-US claims appear to Congress to be similarly unfair. Senator Harry F. Byrd, Jr. (Ind.-Va.) has already announced his intention to get legislation calling for Congressional approval of all US claims agreements if they are settled for less than 100 cents on the dollar.

Steps Toward MFN

Piecing this together with the steps toward MFN as outlined in the Trade Act, it is possible to list events which, if all goes well, will take place over a period to normalize US-China trade. (It should be noted, however, that the freedom of emigration aspects of the Act could be modified in view of the collapse of the US-USSR accord.)

1. The blocked assets and private claims issue must be settled.
2. A bilateral commercial agreement must be negotiated.
3. In tandem with the commercial agreement, the President must receive assurances and be able to report to the Congress that Chinese emigration practices "will substantially lead to the achievement of" free emigration.
4. The bilateral trade agreement must be approved by affirmative vote of both the House of Representatives and the Senate. (If either body fails to approve the agreement, MFN for China will not take effect.)
5. Special procedures are then set in motion to assure Congressional vote on approval of MFN.
6. The extension of MFN to the Chinese is subject to a freedom of emigration test. This test may, however, be waived for an initial 18-month period if the President determines.
7. The waiver can be extended for subsequent one-year periods, provided any such extension is not disapproved by Congress. The waiver authority cannot lapse by failure of Congress to act.
8. The extension of MFN implements the bilateral agreement: Following conclusion of the bilateral commercial agreement, MFN can then be extended and the agreement takes effect for a three-year period.
9. After 18 months, the President must request extension of the freedom-of-emigration waiver authority from Congress.
10. If both Houses of Congress fail to disapprove within 105 days from the expiration of the 18-month period, MFN can be extended for an additional 12 months.
11. After 12 more months, the President must again report to Congress with respect to freedom of emigration assurances. If the waiver authority is not disapproved during the 45 days following the expiration of the proceeding 12-month period, MFN can be extended for another 12 months.

The Bilateral Commercial Agreement

The new law describes in detail the provisions and terms any bilateral trade agreement must contain.

Under the Act, only countries entering into this type of an agreement with the United States can, in future, receive nondiscriminatory treatment. MFN can remain in effect only so long as a commercial agreement remains in force.

The Act requires that such bilateral agreements shall—

1. be limited to an initial period of three years, renewable, upon review, for additional three year periods, provided that a satisfactory balance of concession in trade and services has been maintained, and that reductions in US tariffs and non-tariff barriers have been satisfactorily reciprocated;
2. provide for suspension or termination at any time for national security reasons;
3. include safeguard arrangements providing for consultations whenever imports cause or threaten market disruption and include safeguard arrangements authorizing the imposition of such import restrictions as may be appropriate to prevent such market disruption;
4. provide patent and trademark protection not less than the rights specified in the Paris Convention for the Protection of Industrial Property;
5. provide copyright protection not less than

that afforded by the Universal Copyright Convention;

6. provide arrangements for the settlement of commercial differences and disputes;
8. provide arrangements for the promotion of trade, which may include establishment of trade and tourist promotion offices, facilitation of activities of governmental commercial officers, participation in trade fairs and exhibits, the sending of trade missions and the facilitation of entry, establishment and travel of commercial representatives;
9. provide for consultations for the purpose of reviewing the operation of the agreement and relevant aspects of relations between the United States and other party; and
10. provide such other arrangements of a commercial nature as will promote the purposes of the Act (such as a mutual exchange of information on production, consumption and demand of major agricultural commodities).

THE US TRADE ACT AND CHINA'S TRADE AGREEMENTS

The People's Republic of China has signed trade agreements during the past two years with a number of countries with which she has established diplomatic relations including Austria (11/2/72), Germany (7/5/73), Australia (7/24/73), Canada (10/13/73), Japan (1/5/74), and Switzerland (12/20/74). Normally official trade agreements with China have followed diplomatic recognition of the PRC.

In several places these accords read like diplomatic communiques, calling for trade relations on the principles of equality and mutual benefit. But most points required for a commercial agreement under the Trade Act have precedents in previous trade agreements China has signed, with some exceptions.

Duration and Satisfactory Conditions The agreements with Australia, Canada, Japan and Switzerland are for three year duration, and provide for reciprocity on the basis of equality and mutual benefit. The US Trade Act requires maintenance of a satisfactory balance of goods and services and mutual reduction in trade barriers, if China is to benefit on an MFN basis for these reductions. While China's trade agreements have nothing spelling out this detail of reciprocity, they do include clauses calling for reciprocal and mutually beneficial two-way trade. Article I of the German agreement states "Each party shall in particular strive to achieve favorable conditions for the free access of goods of one party to the market of the other party. The parties shall endeavor to improvement the structure of trade."

National Security Article IX of the Sino-Canadian agreement states "the provisions of the present agreement shall not limit the right of either contracting party to apply measures for the protection of its national security. . ."

Safeguard Arrangements The same article IX, quoted above, extends to "economic interests."

Patents, Trademarks, Copyrights, Industrial Rights and Processes While there is no specific reference to intellectual property in the agreements, three of them refer to "exchange of technical services" to be carried out . . . "subject to the laws and regulations in force in each country. . ." (Article IV, Canadian Agreement; Article III, Australian Agreement; Article 5, Swiss Agreement). The Japanese agreement states "the two signatory countries shall positively promote the technological interchange related to the industry in compliance with the principle of equality and reciprocity. . ." (Article 6). Since these countries are signatories to world intellectual property conventions, it is possible the requirements of the Act can be met adequately vis-a-vis the US, with the extension of the language of those earlier clauses to meet the needs of the US law.

Settlement of Disputes The Japanese agreement has the fullest provision for mutual settlement of disputes with China. Article 8 of the Sino-Japanese accord reads—

1. Both signatory countries arising from the commercial contracts concluded between juridical or natural persons of Japan and foreign trade organizations of the People's Republic of China, or the matters related thereof, first through friendly consultations among the parties concerned.

2. In cases when the solution for disputes cannot be found through consultations, the parties concerned may submit the matters for the arbitration in compliance with the clause on arbitration.

3. Both signatory countries shall encourage through all possible means the utilization of arbitration organs of the two countries by the parties concerned.

4. Both signatory countries are held responsible for the execution of arbitration rulings by concerned organs under terms provided for under laws of the country being sought to make the ruling.

Reciprocal Arrangements Perhaps the most typical clause of this kind in a trade agreement with China is Article VII of the Sino-Australian text: "Each contracting party will promote the interchange of trade representatives, groups and delegations between the two countries, encourage the commercial exchange of industrial and technical expertise, and will facilitate the holding of trade exhibitions and other trade promotion activities in its country by organizations of the other in accordance with general customary practice." This text closely follows the lines required by the US Act.

Consultations and Other Arrangements All the agreements mentioned above contain a clause relating to joint consultations on matters arising from the trade relations and the agreement, and to explore "measures for the expansion of mutually beneficial trade" (Article VIII, Australia).

Beyond these provisions and others concerning such matters as products, payment and pricing that China may wish to include in a bilateral commercial agreement, the question of reciprocal most-favored-nation treatment is provided for in each accord. As noted in the main text, an agreement with the Chinese must be approved by both Houses of Congress for MFN to take effect, following which the President may then exercise the waiver authority to extend nondiscriminatory treatment to Chinese goods.

Peking does have its own system of tariff preferences, under which the government provides reduced duty rates for imports purchased and shipped from countries having "mutually beneficial" trade treaties or agreements with China. General duty rates are levied on imports from countries which do not have such treaties or agreements with China. (See *The Organization of China's Foreign Trade* by Gene T. Hsiao, *UCBR*, Vol. 1, No. 3, p. 11.) The reduced rates for China's imports range from 5 to 150 percent, and the general duty rates from 7.5 to 400 percent. The meaning of China's differing rates, however, within the context of a non-market economy, is not easy to determine.—NHL.

NEGOTIATING AND OTHER AUTHORITY

Besides Title IV and the complex matter of MFN, the Act contains a number of other provisions, some of which may affect trade with China. Perhaps the most important of these provisions concern import relief measures.

Title I of the Act provides the President with basic authority, for a period of five years, to negotiate trade agreements with any country and to proclaim modification of duties, for the purpose of harmonizing tariffs and eliminating current non-tariff barriers to trade. Duties may be modified within specified limits and are subject to Congressional approval in the case of changes in non-tariff barriers which require legislation.

Tariff Decreases and Increases

The President may modify or continue any existing duty as he determines appropriate, except that he may not decrease a rate of duty by more than 60 percent of the rate existing on January 1, 1975.

The restriction does not apply in the case of any article for which the January 1, 1975, duty is no more than five percent of the value of the item. In this case the President can completely eliminate the duty if he believes the existing duty is burdening or restricting US foreign trade.

The President is granted similar discretionary authority to increase (or impose new) rates of duties which may not exceed 50 percent above the Column II discriminatory rates or 20 percent of the value of the item, whichever is higher.

Under Section 102 of Title I, the President is urged to take all "appropriate and feasible steps" within his power to harmonize, reduce, or eliminate non-tariff barriers (NTBs) affecting US exports. The President may do this by negotiating agreements to these ends, such negotiations to be carried out in consultation with and with expeditious approval of both Houses of Congress.

Another section of Title I pertains to situations in which the US experiences large trade surpluses, though only when serious overall US balance-of-payments problems arise. If a surplus with any one country persists and it becomes necessary to increase US imports, the President is authorized to proclaim for a period of up to 150 days a temporary reduction in the rate of duty assessed that country's imports. He can alternatively order an increase in quotas or temporarily suspend other import restrictions.

IMPORT RELIEF

Under the new law there are two sections providing relief from injury caused by import competition. All imports from any country could be cause for relief under Sections 201-203 which stipulate injury tests when imports of a product amount to a "substantial cause of serious injury, or the threat thereof," to the domestic industry producing the article. A "substantial cause" means, for these purposes, a cause which is important and "not less than any other cause." No other cause can be greater. Previously a "major cause" would have been sufficient.

But, in addition, imports from Communist countries are subject to Section 406, a Market Disruption provision under Title IV, which provides for relief if "market disruption exists with respect to an article produced by a domestic industry." In this case market disruption is defined as existing whenever imports of an article are increasing rapidly, either absolutely or relatively, so as to be a "significant cause of material injury, or threat thereof" to a domestic industry. "Significant" means in this context that any one of the major causes, rather than the most important, as in Sections 201-203, could be brought to bear.

Certain markets exist in the US which are especially sensitive to competition from products which China is or potentially could be competitive—footwear and textiles are two prominent examples. The People's Republic of China is not a signatory to the December 20, 1973, arrangement regarding international trade in textiles negotiated under the auspices of GATT that acts to protect American textile industries. An agreement to limit trade in nonrubber footwear does not yet exist. The Trade Act calls for the imposition of additional duty upon any article the Tariff Commission (renamed the International Trade Commission in the new Act) finds injures or threatens to injure an American industry.

As an example of particularly sensitive articles, note that in a later section dealing with the General System of Preferences (Title V), a number of products are listed as ineligible for such preferences. This list spells out the most import-sensitive categories, namely textile and apparel articles subject to textile agreements; watches; import-sensitive electronic articles; import-sensitive steel articles; footwear items specified; and import-sensitive semi-manufactured and manufactured glass products.

RELIEF FROM UNFAIR TRADE PRACTICES

Whereas the second section deals with "fair" albeit injurious competition, Title III is concerned with "unfair" or "unreasonable" trade practices which affect foreign imports into the United States. The Act substantially revises Executive authority to respond to foreign unfair trade practices, including the Tariff Act of 1930 and the Antidumping Act of 1921.

Dumping

Section 321 of this title makes changes in the current "antidumping" statutes which could interpose serious problems in our trade with many of our trading partners. "Dumping" is generally defined as selling an item to a foreign country at a price below the foreign market value, or below that price which the same article is sold for in the home market of the exporting country. Dumping has long been prohibited by law in the United States, and offenders, upon successful complaint of an injured party, are assessed dumping duties.

Determining the domestic value of an item, for purposes of deciding whether or not dumping has occurred, is especially difficult when the country involved is a state-controlled nonmarket economy, as is the People's Republic of China. If this difficulty is such that it effectively prohibits determination of the fair market value, the Secretary of the Treasury is supposed to evaluate, using one of two methods, what the price tag of the item in the international market should be. The method to be employed under the new law to determine fair market value involves comparing the actual price at which the article is sold domestically or for consumption abroad, or a constructed price of "such or similar merchandise in a non-state-controlled economy."

Whenever the Secretary under this test finds an import to be priced at less than its fair value, he must assess extra duty on that import until its final price is brought into line with the consructed fair market value. Of particular difficulty, as is sometimes the case with China, would be items made for export only, thus having no domestic reference price at all, such as baseball bats or mits from China. In this instance, the item from China could be subject to a determination that it was sold at less than fair value even though there may have been no intention to trade unfairly.

Anti-dumping laws, it should be noted, are not meant to discourage low-cost sales by a foreign country in the US, but rather to discourage unreasonably high loss-taking in the US to gain market acceptance, perhaps subsidized by higher priced sales in other countries.

EAST-WEST FOREIGN TRADE BOARD

In Title IV the Act calls upon the President to create a new Board to monitor trade with nonmarket economy countries "to insure that such trade will be in the national interest of the United States."

This East-West Foreign Trade Board is charged, among other things, with reporting to Congress four times each year on the status of negotiation of bilateral trade agreements, the resolution of commercial disputes with such countries, and any exports which have disrupted US markets.

This new provision also requires companies which export technology, and agencies purchasing credits worth more than $5 million in any year, to non-market countries to file a report of the transaction with the Board. The Board will probably be constituted by the present President's Committee on East-West Trade, renamed. The new reporting requirements will likely be integrated into the Bureau of East-West Trade's present quarterly publication, as stipulated in the recent Export Administration Act (see *UCBR* Vol. 1, No. 6, p. 10).

GENERALIZED SYSTEM OF PREFERENCES

The fifth title of the new law provides the President with authority to extend duty free treatment to products imported into the United States from eligible developing countries. The People's Republic of China is excluded from eligibility in several ways, although it is not listed among the 26 developed countries specifically prohibited from being designated as beneficiaries under this title.

Looking at the Act, it excludes countries from eligibility to receive generalized preference under Title V if, among other qualifications, the country is a Communist country which does not receive MFN treatment, is not a member of the International Monetary Fund and the General Agreement on Tariffs and Trade, and is dominated by international communism (Section 502).

If the Chinese were to receive MFN, join the IMF and GATT, and it were determined that the PRC is "not dominated or controlled by international communism," a term sometimes used for Warsaw Pact nations and Soviet satellites alone, would the Chinese then be eligible for tariff preference treatment?

Perhaps. But would they be given this treatment even if they were eligible?

It is important to understand this is a discretionary act of the President.

Secretary Kissinger has said, "The People's Republic of China does not benefit from any of the existing systems of generalized tariff preferences. To our knowledge it has not requested these benefits." (Among the criteria of eligibility is a desire by the country to be designated a beneficiary.) According to Kissinger, "The Administration does not intend to use the proposed authority in Title V of the trade bill to extend preferential treatment to the PRC."

CONCLUSIONS

These are the major provisions of the Trade Bill. If the process is allowed to proceed enough to include Congressional approval of a trade agreement, nondiscriminatory treatment will certainly be extended to China. MFN will quicken trade not only in imports, affected directly by decreased tariffs, but also in exports which must keep pace to maintain a balance of trade. A two-year old government study predicts the granting of MFN would serve to increase bilateral trade by about 15-20 percent.

But the greatest impact negotiation of MFN is expected to have on US-China trade cannot be measured by the number of dollars exchanged. The improved psychological climate could serve as a greater impetus to trade than the instigation of nondiscriminatory tariffs.

Notwithstanding its obvious flaws, the Act has a positive side to it. It provides a framework, previously nonexistent, for constructing useful bilateral trade agreements, affording, as the Act says, "mutual benefits." Within that framework a trade agreement with China appears to be quite possible. A positive element of the new law is that China is not singled out for special treatment and can receive MFN on the same basis as any other country which does not have it.

On the whole, this Trade Act establishes a good foundation on which future trade relations with the PRC can be developed. 完

PHILLIPS URGES A US TRADE AGREEMENT WITH THE PEOPLE'S REPUBLIC OF CHINA

On January 3, 1975, Christopher H. Phillips, President of the National Council for US-China Trade, took the occasion of the enactment of the Trade Act to call for the prompt start of negotiations leading to a Sino-US commerical agreement. Such an agreement, he said, would reaffirm the commitment of the two sides to the principles of the Shanghai Communique, in which it was agreed by China and the US "to facilitate the progressive development of trade between their two countries."

Phillips said he considered a Sino-US bilateral commercial agreement and nondiscriminatory tariff treatment for the People's Republic to be beneficial to all firms and agencies involved in trade with China.

Jay Henderson is a Washington-based freelance writer specializing in Chinese affairs.

CHINA HEADS TOWARD 2000

NEW PROPOSALS SET LONG-TERM GOALS

Of unmistakable interest to every executive concerned with the future of China are the speeches made in connection with the Fourth National People's Congress of the People's Republic of China, held January 13-17, 1975, at which a new Chinese Constitution was adopted. The preamble to the Constitution stated that China should "strive for peaceful coexistence with countries having different social systems." The communiques issued at the Congress talk of two-stage economic development for China-to 1980 and thence to the end of the century, of plans for comprehensive modernization, of a long-range Ten-Year Plan, Five-Year Plans and annual plans. They also mention a political situation in which "there are both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness". There is exhortation to "Criticise such erroneous ideas and styles of work as servility to things foreign . . ." Reproduced below are excerpts from the speeches of Premier Chou En-lai and Vice-Premier Chang Chun-chiao.

From the Speech of Premier Chou En-lai, January 13, 1975

We have overfulfilled the 3rd 5-year plan and will successfully fulfil the 4th 5-year plan in 1975. Our country has won good harvests for 13 years running. The total value of agricultural output for 1974 is estimated to be 51 per cent higher than that for 1964. This fully demonstrates the superiority of the people's commune. While China's population has increased 60 per cent since the liberation of the country, grain output has increased 140 per cent and cotton 470 per cent. In a country like ours with a population of nearly 800 million, we have succeeded in ensuring the people their basic needs in food and clothing.

Gross industrial output for 1974 is estimated to be 190 per cent more than 1964, and the output of major products has greatly increased. Steel has increased 120 per cent, coal 91 per cent, petroleum 650 per cent, electric power 200 per cent, chemical fertilizer 330 per cent, tractors 520 per cent, cotton yarn 85 per cent and chemical fibers 330 per cent.

Through our own efforts in these ten years we have completed 1,100 big and medium-sized projects, successfully carried out hydrogen bomb tests and launched man-made earth satellites. In contrast to the economic turmoil and inflation in the capitalist world, we have maintained a balance between our national revenue and expenditure and contracted no external or internal debts. Prices have remained stable, the people's livelihood has steadily improved and socialist construction has flourished. Reactionaries at home and abroad asserted that the Great Proletarian Cultural Revolution would certainly disrupt the development of our national economy, but facts have now given them a strong rebuttal . . .

On Chairman Mao's instructions, it was suggested in the Report on the Work of the Government to the Third National People's Congress that we might envisage the development of our national economy in two stages beginning from the Third Five-Year Plan: The first stage is to build an independent and relatively comprehensive industrial and economic system in 15 years, that is before 1980; the second stage is to accomplish the comprehensive modernization of agriculture, industry, national defense and science and technology before the end of the century, so that our national economy will be advancing in the front ranks of the world.

We should fulfil or overfulfil the Fourth Five-Year Plan in 1975 in order to reinforce the foundations for completing the first stage before 1980 as envisaged above. In the light of the situation at home and abroad, the next ten years are crucial for accomplishing what has been envisaged for the two stages. In this period we shall not only build an independent and relatively comprehensive industrial and economic system, but march towards the splendid goal set for the second stage. With this objective in mind, the State Council will draw up a long-range Ten-Year Plan, Five-Year Plans and annual plans. The Ministries and Commissions under the State Council and the local Revolutionary Committees at all levels down to the industrial and mining enterprises and production teams and other grassroots units should all arouse the masses to work out their plans through full discussion and strive to attain our splendid goal ahead of time.

In order to keep on expanding our socialist economy, we must persist in the general line of *going all out, aiming high and achieving greater, faster, better and more economical results in building socialism* and continue to apply the policy of *taking agriculture as the foundation and industry as the leading factor* and the series of policies of walking on two legs. We should work out the national economic plan in this order of priorities: agriculture, light industry, heavy industry. We should give full play to the initiative of both central and local authorities under the state's unified planning. We should implement *the Charter of the Anshan Iron and Steel Company* still better and deepen the mass movements—*in industry, learn from Taching* and *in agriculture, learn from Tachai.*

While tackling economic tasks, our leading comrades at all levels must pay close attention to the socialist revolution in the realm of the superstructure and keep a firm grasp on class struggle and the struggle between the two lines. Only when we do well in revolution is it possible to do well in production. We should thoroughly criticize revisionism, criticize capitalist tendencies and criticize such erroneous ideas and styles of work as servility to things foreign, the doctrine of trailing behind at a snails's pace, and extravagance and waste.

Chairman Mao points out, *"Rely mainly on our own efforts while making external assistance subsidiary, break down blind faith, go in for industry, agriculture and technical and cultural revolutions independently, do away with slavishness, bury dogmatism, learn from the good experience of other countries conscientiously and be sure to study their bad experience too, so as to draw lessons from it. This is our line."* This line has enabled us to break the imperialist blockade and withstand social-imperialist pressure, and the progress of our economy has been sound and vigorous all along, regardless of economic fluctuations and crises in the capitalist world. We must always adhere to this line.

From the Speech of Vice-Premier Chang Chun-chiao, January 13, 1975

The draft stipulates that all organs of state shall practise democratic centralism and specifies the democratic rights of citizens, and especially the rights of the fraternal minority nationalities and of women. It also stipulates that the masses shall have the right to speak out freely, air views fully, hold great debates and write big-character posters. Moreover, in accordance with Chairman Mao's proposal, the specification that citizens enjoy freedom to strike has been added to article 28 of the draft. We are convinced that the revolutionary masses, who have been tempered in the Great Proletarian Cultural Revolution, will apply these provisions still better and "create" a political situation in which there are both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness, and so help consolidate the leadership of the Communist Party of China over the state and consolidate the dictatorship of the proletariat. . . ."

The draft also contains provisions regarding non-agricultural individual labourers and allowing people's commune members to farm small plots for their personal needs and engage in limited household sideline production. These provisions integrate the principle of adherence to socialism with the necessary flexibility and are sharply demarcated from such fallacies as those advocated by Liu Shao-chi and Lin Piao on the fixing of farm output quotas for individual households with each on its own and the abolition of farm plots for personal needs.

. . . The work of revising the Constitution has been going on for nearly five years. This Congress will complete the work and promulgate the new fundamental charter of the People's Republic of China. 完

COUNCIL ACTIVITIES 1974-1975

NATIONAL COUNCIL BOARD MEETS ELECTS NEW OFFICERS, VISITS WITH LIAISON OFFICE OFFICIALS

In its last meeting of 1974, the National Council Board of Directors gathered in Washington, D.C., on December 4 to elect two new directors, approve President Phillips' plans and budget for 1975, and hear a report of Vice President Theroux's November meetings in Peking.

Included in the meeting was an informal talk by Dr. Richard Solomon, the China specialist on the staff of the National Security Council. Dr. Solomon, just returned from the November trip with Secretary Kissinger to Peking, gave his views on the outlook for US-China trade in 1975 and beyond.

The two new Directors elected to the Board are Harold Pochtar of New York, President of Toscany Imports, an import firm which has been active in China trade, and William Morison of San Francisco, President of Foremost-McKesson, a diversified company involved in both import and export business with the Chinese.

Mr. Morison, Chairman of the China Relations Committee of the San Francisco Chamber of Commerce, worked with the National Council in hosting a West Coast visit by officials from the Commercial Section of the Chinese Liaison Office in September 1974.

Mr. Pochtar also serves as a member of the Steering Committee of the Council's Importer Committee. Mr. Pochtar and Mr. Morison will fill vacancies created by the resignations of Charles W. Robinson and Andrew E. Gibson. Mr. Robinson was recently named by President Ford to be Assistant Secretary of State for Economic Affairs.

In his report, Mr. Theroux told the Board of assurances received during his Peking discussions that the CCPIT would send a broadly-based trade delegation to the United States, at the Council's invitation, during 1975. Theroux also described to the Board extensive discussions in Canton and Peking with each of China's Foreign Trade Corporations, China International Travel Service and the Bank of China.

President Phillips gained Board approval for an expanded program of activities for 1975, and agreement to an operating budget for the new calendar year.

Following the meeting, Board members were hosted at a luncheon given by Han Hsu, Acting Chief of the Chinese Liaison Office, Chang Tsien-hua, the Commercial Counselor, and members of the Staff of the Commercial Section. The luncheon, graciously given in response to a request by the Council for an opportunity for an informal exchange of views on US-China trade relations, took place at the official residence of Ambassador Huang Chen, Chief of the Liaison Office.

In other action, the Board:

- proposed the date for the Council's next annual membership meeting for June 2, 1975, in Washington, D. C.
- reactivated the committee formed to plan for

the CCPIT delegation's 1975 visit

- appointed a nominating committee to make recommendations at the 1975 annual meeting for new officers and replacement of retiring Board members.

AMERICAN ARBITRATION ASSOCIATION OFFICIALS VISIT PEKING BRIEFED BY NATIONAL COUNCIL

The Legal Department of the China Council for the Promotion of International Trade invited two senior officials of the American Arbitration Association for discussions in Peking in January.

Donald B. Straus, President of AAA's Research Institute and a former Association President, and Howard M. Holtzman, a practicing attorney who chairs the Association's Committee on International Arbitration, visited Peking following an international arbitration conclave in New Delhi. Mr. Holtzman is a former Chairman of the Board of the AAA.

A basis for the Straus- Holtzman mission was meetings between CCPIT legal experts and attorneys Walter Sterling Surrey and Eugene A. Theroux, members of the National Council delegation to Peking in November 1973. Mr. Theroux continued these discussions in Peking in November, 1974, with Jen Chien-hsing, Chief of the CCPIT's Legal Department. Mr. Surrey and Mr. Theroux have worked with the AAA and the Chinese side since that time to bring about a greater mutual awareness of dispute resolution procedures in the two countries. Prior to the departure of the AAA group, the two men were briefed by Surrey and Theroux, following which the mission was further reviewed at a meeting with Chinese Liaison Office officials.

For its part, the AAA has agreed to serve the Council in an advisory capacity on matters of international arbitration and, under Mr. Straus' chairmanship, the AAA has created a Corporate Counsel Committee, on which the Council is represented, which has under active study implementation of rules and procedures for arbitration with China and other non-market countries.

Among the topics covered in AAA's discussions with China's legal specialists were:

- third-country arbitration of disputes in Sino-US trade
- standard contract arbitration clauses
- uniform rules for commercial arbitration
- enforcement of arbitral awards before appropriate Chinese and US tribunals

Arbitration in US trade with China has assumed added importance for importers and exporters alike in light of provisions of the Trade Act of 1974. The Act, Public Law 93-618, provides the framework for extension of most-favored-nation tariff treatment to China only in the context of a trade agreement which, among other things, provides arrangements for the resolution of commercial disputes between parties in the two countries.

FOODTASTING PARTY AT THE LIAISON OFFICE

All National Council staff members were recently invited to sample a variety of Chinese canned food products and other dishes at an informal get-together at the Liaison Office of the People's Republic of China in Washington, D.C., hosted by Commercial Counselor Chang Tsien-hua. The affair, held prior to Christmas, was attended by most members of the LO's Commercial Section, including Huang Wen-chun, T'ung Chih-kuang, Pa Ching-yi, Jen Chih-chieh, Tsui Kao-pi, Liu Hui-lin, Yu Jen-chuan, Chang Kuei-lan, and Chin Chu-kuan.

The visitors sampled such delicacies as bamboo shoots with mushrooms and eight-treasure rice, and had the chance to view a varied array of Chinese canned goods for export. Other products, ranging from ice hockey gloves to wall tapestries, were displayed in cases in the front salon of the Liaison Office. Prominent was a display of canned foods of the kind that may be suitable for the US market. Also on hand to add gusto to the occasion were appropriate quantities of Chinese liquor, including the well known, uncompromisingly fiery Mao Tai.

This preview by Chinese commercial officials

CHINESE TEXTILE MISSION TO VISIT THE US AT INVITATION OF THE NATIONAL COUNCIL

The following telegram was received by the National Council on January 22, 1975.

From Peking—Attention C. H. Phillips—President

"Thanks for your letter of December 30. Many a time the National Council for US-China Trade has in the past two years cordially invited our corporation to visit the United States. While expressing our appreciation I am pleased to inform you that now we can accept with pleasure your invitation and my colleagues, Madam Han Fan-yu, and Messrs. Wang Ming-sheng, Tsung Wen-tse, Ma Hung-sheng and Huang Tsien-mo will pay a business visit to the United States in February 1975. We hope their forthcoming visit will deepen the mutual understanding and be conducive to the progressive development of trade between our two countries. I shall be much obliged if any courtesies or assistance could be extended to Madam Han and her party during their stay in the United States of America. With best regards.

Wang Ming Chuan, Managing Director
China National Textile Import and Export Corporation"

Posing outside the residence of Huang Chen, Chief of the Liaison Office of the People's Republic of China, members of the National Council Board of Directors and Chinese Commercial Section flank Han Hsu, Deputy Chief of Mission, PRCLO. From left to right—Christopher H. Phillips, President of the National Council, Gabriel Hauge, Chairman of the Board, Manufacturers Hanover Trust Company, Huang Wen-chun, First Secretary at the PRCLO Commercial Section, D. C. Burnham, Chairman of the National Council and Chairman, Westinghouse Electric Corporation, Donald M. Kendall, Chairman of the Board and Chief Executive Officer, Pepsi Company, William A. Hewitt, Chairman and Chief Executive Officer, Deere & Company, Han Hsu, Deputy Chief of Mission, Chinese Liaison Office, Tsui Kao-pi, Commercial Section, David Rockefeller, Chairman of the Board, Chase Manhattan Bank, Walter Sterling Surrey, Surrey, Karasik and Morse, T'ung Chih-kuang and Wang T'ien-ming, Third Secretaries of the LO's Commercial Section, and Chang Tsien-hua, Commercial Counsellor at the Liaison Office.

of PRC foodstuffs destined for the US market was one in a series of such events. Similar gatherings were attended by a group of Chinese-American food importers and the China Division of the Bureau of East-West Trade in the Department of Commerce.

A YEAR END SOIREE

Another informal gathering brought together members of the Chinese Commercial Section led by Mr. Chang, and National Council staff, when Ambassador and Mrs. Phillips hosted a holiday cocktail party in their Washington apartment on December 19. There was the chance to review the past year's developments in Sino-American trade with the Chinese diplomats. The party underscored the continuing close and friendly ties which have been built up between the Council and the Liaison Office. Also present were A. Doak Barnett and Alexander Eckstein from the Council's newly-formed Academic Advisory Board.

CHINA'S ECONOMY, POLITICS AND TRADE

Academic Advisory Board Speaks

The first in a series of events involving the National Council's Academic Advisory Board (AAB) was held in Washington's International Club on January 16, as more than 50 Washington-based representatives of Council member firms gathered at a luncheon to hear Dwight Perkins, Alexander Eckstein and A. Doak Barnett give their views on the current state of China's politics, trade and economy. Unable to attend the meeting was the Board's fourth member, Robert Scalapino.

In coming months the Academic Advisory Board will become involved in the National Council's proposed program of seminars on various aspects of the China trade, as well as engaging in a number of projected meetings on specific aspects of Chinese economic development and its relation to trade, tentatively scheduled to take place in Washington and New York.

Dwight Perkins is a Professor of Economics and Modern China Studies at Harvard, and is an Associate Director of the University's East Asian Research Center. He has written several prominent books and numerous articles on China and is currently preparing an economic history of the People's Republic. He is one of the foremost experts in the US on China's agriculture, economy, national income statistics, and economic planning. He is a consultant to the US government on Asia and Chinese affairs.

In his remarks on China's economy following the luncheon, Professor Perkins characterized its overall performance since the establishment of the People's Republic as sound. With real GNP growth averaging 5-6 percent over the last 25 years, China compares favorably with many na-

Meet the ladies: at the Liaison Office foodtasting party, held on December 12, the female staff of the Liaison Office commercial office and the National Council posed for this picture. From left to right—Mrs. Chin Chu-kuan, Mrs. May Li Phipps, Mrs. Liu Hui-lin, Ms. Barbara E. O'Hara, Mrs. Chang Kuan-lan, Mrs. Mary Frances Cooper, Ms. Amy Martin, Ms. Pat Caperones and Mrs. Pa Ching-yi.

tions in the developing world, said Perkins, but he noted the dampening effect of relatively modest growth rate of the agricultural sector. Perkins speculated that in coming years the dominant position occupied by agricultural goods in China's foreign trade would decline, with the slack in exports being taken up by petroleum and manufactured goods.

Alexander Eckstein is the 1974-75 Rockefeller Visiting Research Professor at the Brookings Institution. A Professor of Economics at the University of Michigan where he has directed the Center for Chinese Studies since 1967-69, Professor Eckstein has authored, co-authored and edited many important books on China's economy and foreign trade and is presently preparing a book to be titled, *Scarcity and Ideology in Contemporary China.* He has also served in various capacities with the National Committee on US-China Relations since its inception in 1966, including that of Chairman of the Board of Directors from 1970-72. Professor Eckstein has been a consultant to the Department of State since 1962 and a member of the Committee on Scholarly Communications with the People's Republic of China since 1966.

In his remarks on China's foreign trade, Eckstein traced trade and the three distinct stages since 1949. He noted the rapid growth experienced during the 1950s when the bulk of the PRC's commercial relations were with the Soviet bloc, and described the period of the 1960s as one during which the PRC looked inward and emphasized self-reliance. Peking is now pursuing a policy which retains the overall self-reliance framework, but which recognizes the need to import capital goods. Professor Eckstein suggested that although the bias of the Chinese planner is essentially anti-foreign trade, the desirability of acquiring sophisticated equipment, plant and technology tends to outweigh this consideration. He predicted that although Sino-American trade would suffer an overall downturn in 1975, due primarily to the reduced volume of Chinese agricultural imports, PRC purchases of US machinery would increase and the trade balance would further even out, to a level only three or four to one in America's favor.

A. Doak Barnett was born in Shanghai and spent his childhood there. After finishing his university studies at Yale, he returned to China in 1947 as a Fellow of the Institute of Current World Affairs and a correspondent for the *Chicago Daily News.* During the 1950s Doak Barnett held a variety of governmental, scholarly and journalistic positions in the United States and Asia, including that of Consul and Public Affairs Officer at the US Consulate General in Hong Kong during 1951-52. In 1955 he returned to the United States to head the Department of Foreign Area Studies at the Foreign Service Institute. From 1961-69, Doak Barnett was a Professor of Government at Columbia University, where he directed the University's Contemporary China Studies Program. In 1969 he joined the Brookings Institution, where he now works as a Senior Fellow. In 1972-73, Doak Barnett revisited China at the invitation of the Chinese People's Institute of Foreign Affairs. His latest book, *Uncertain Passage,* published the end

Professor Dwight Perkins of Harvard addressing about seventy participants at the Washington meeting of the Council introducing the Academic Advisory Board

of last year, is an analysis of China's transition to the post-Mao era.

Professor Barnett told the Council audience that the central reality of the current Chinese political situation was uncertainty, stemming from still unresolved questions of power and policy left over from the Cultural Revolution. Barnett said that a peaceful political transition in China, following the death of Mao Tse-Tung, would have to take into account the interests of three contending groups now vying for authority: the bureaucracy, both state and party, which came under heavy attack during the Cultural Revolution, but which has rebounded since 1970; the military, whose influence may have been temporarily stifled in the wake of the Lin Piao Affair; and the so-called Shanghai radical group, preeminent during the Cultural Revolution and dedicated to the primacy of ideology. Barnett said that Sino-American relations have not made much progress since early 1973, but that the upcoming PRC visit of President Ford may reestablish a sense of momentum. He noted that the overwhelming issue, still clouding the future of relations between Peking and Washington, was Taiwan.

Robert A. Scalapino, unable to attend the meeting because of a previous commitment, is currently Professor of Political Science at the University of California, Berkeley. After naval service during World War II, Professor Scalapino received his PhD from Harvard, and in 1949 joined the Berkeley faculty. He has served as a consultant to many foundations and agencies, including the Department of State, the Asia Foundation, the Ford Foundation, the Rockefeller Foundation, the World Affairs Council and the Foreign Affairs Institute. Robert Scalapino is the author of many books and articles on China and Northeast Asia as well as being the editor of *Asian Survey*. In 1972 he visited the People's Republic of China with a delegation from the National Committee on US-China Relations.

CHINA PARTIAL FORESTAL PRODUCTS FAIR KWANGCHOW FEBRUARY 21 TO MARCH 2, 1975

Another export-oriented fair is to be held in China outside of the period of the regular bi-annual Kwangchow Fairs: this will be the China Partial Forestal Products Fair, sponsored by the China National Native Produce and Animal By-Products Import and Export Corporation. The branches of the Corporation in Peking, Tientsin, Shanghai, Kwangtung, Kwangsi, Fukien, Hunan, Shantung, Talien, and Hupeh are the joint sponsors of the Fair. On display will be various kinds of Bamboo and Wood Products, Fireworks, Firecrackers, Handmade Papers, Candles and Small Hardware. A carpet Fair, hosted by the same Corporation, is being held almost simultaneously in Tientsin (See page 54).

WILL YOU BE THERE?
AMERICAN FORTNIGHT IN
HONG KONG 1975

The American Chamber of Commerce in Hong Kong and the American Consulate General are staging another American fortnight in Hong Kong—October 18 to November 2, 1975. Your participation, perhaps in connection with your visit to the Kwangchow Fair, is invited, either by sponsoring an event, or by attending. You are cordially invited to contact Mr. J. Samuel Ray, Amcham Hong Kong, 322 Edinburgh House, Hong Kong or Wyatt Martin, Consul, American Consulate General, 26 Garden Road, Hong Kong. Further information can also be obtained from the National Council.

U.S. PARTICIPANTS AT THE FALL 1974 KWANGCHOW FAIR

A

*ACLI International Inc.
110 Wall Street
New York, N.Y. 10005
George M. Krieger

Agricom International
633 Battery Street
San Francisco, Cal.
Chris Thompson

Albert Lee Company
2242 N. Military Rd.
Arlington, Va. 22207
Albert Lee

*ALKINCO
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Julius Klugmann

*Allied Chemical International
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William Irik

Altman, Vos and Reichberg, Inc.
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David Reichberg

Alvin Glickman Inc.
122 W. 30th Street
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Steve Bender

*American Can International Corp.
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Mr. & Mrs. Louis E. Saubolle
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Hugh L. Cole
H. Irvin

Boxer & Ashfield

Bridgetown Shoe Company
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Sidney Komisar

*American Industrial Report
53, Printing House
18, Ice House Street
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Boris Shlomm

Arts Trading Co.
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Lotte Phillips

*Associated Metals & Minerals Corp.
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Walter J. Simon

Atlas Importing
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Atyco Trading Company
Mr. & Mrs. Jimmy Ong King
S. A. Liu

B

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Karen Broemmer

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Marunouchi
Chiyoda-ku, Tokyo, Japan
Jake Mermagen

Carolina Leaf Tobacco
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31 Mercer Street
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Robert Borella

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Sidney Epstein
Donald Erikson

Chilton Products
Manitowoc, Wisconsin 54220
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New York, N.Y. 10022
Mr. Gimbel
Mr. Miscella

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Uniworld Industries Div.
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Los Angeles, Cal. 90058
Lee J. Vincent

Cleveland Tape Corporation
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Larry Luft

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810-815 Connaught Center
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Jose F. Suarez
V. G. Hoppers
Donn W. Fletcher
James Smith

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Bloomington, Minn. 55440
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Robert D. Schmidt
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Valentin Nan Yeh

*Delaware Steel Company, Inc.
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Bala-Cynwyd, Penn. 19004
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Deldan, Inc.
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Daniel Udell
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Dow Chemical
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Cliff T. Shrum
David C. W. Kwok
Riccardo Moratti

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Dredgemasters International
159 B Thomson Rd.
Goldhill Shopping Centre
Singapore
Michael Heasman

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International Department
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C. Edward Lorenz

Durrey Libby Edible Nuts
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Dynasty
70 Otis Street
San Francisco, Cal. 94103
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Georg Hansen

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Elgin of Cincinnati
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Electro-Harmonix
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George W. Meeker
John T. O'Keefe

Federal Jewelry
Florida
William Sucher

Federal Textile Corporation
Murray Feinberg
Donna Cassidy

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Hartford Fibres Ltd.
Unionville, Conn.
A. J. Rosenstein

Henry Lee Imports
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Gladys T. Lee

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910 Market Street
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Kent T. Smith
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Harald A. Pels

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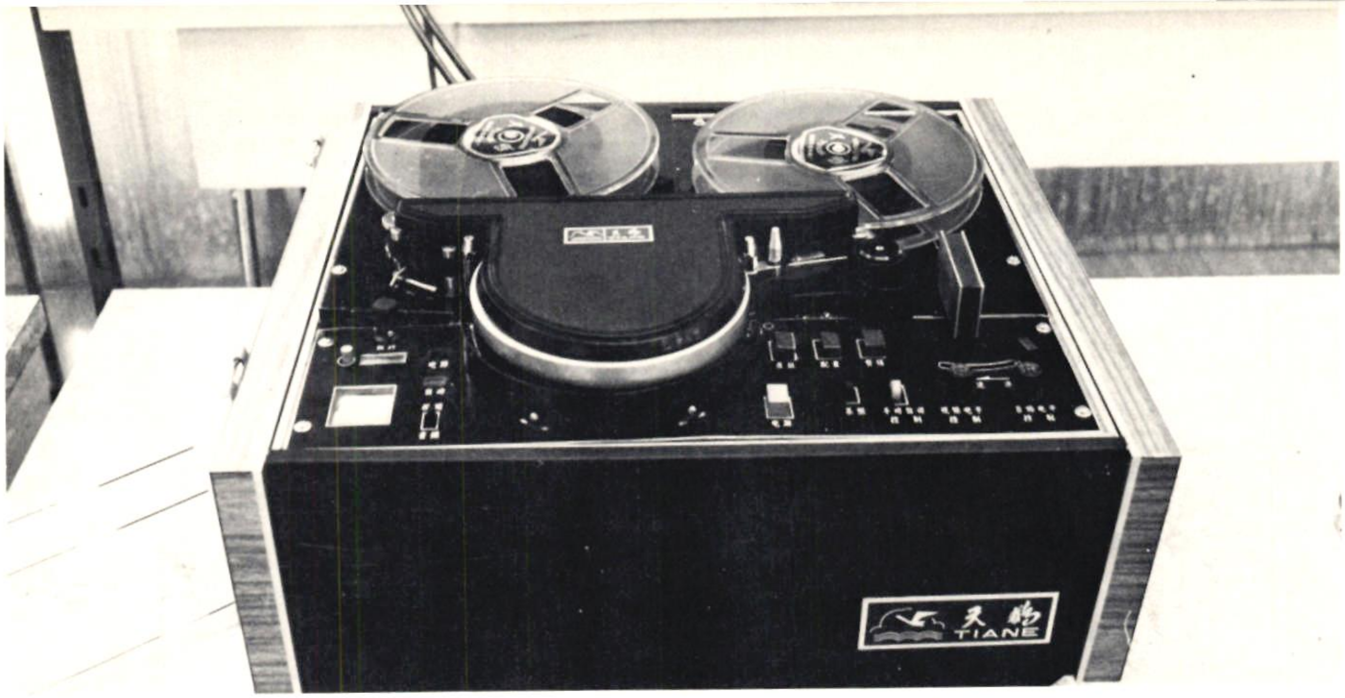

On show at the Fall 1974 Kwangchow Fair—a video tape recorder, Tiane Brand.

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Paul W. Speltz
Donald Altman
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Ideal Musical Merchandise Company
149th Fifth Avenue
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Import Specialists, Inc.
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International Flavors & Fragrances
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Harry Fields
J. Ninabor

*International Harvester
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*Intsel Corporation
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Arthur B. Cummings
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J. K. Gill
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Mr. & Mrs. William P. Reilly
Mark M. Gill
Peter Peabody

Jaclyn, Inc.
330 5th Avenue
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Michael R. Agresta
Anita Cherish

Jacques Isler Corporation
Edgar Merkel

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Marvin L. Lee
James E. Stewart

Keener Cycle Center
320 S. Bridge
Visalin, Cal. 93277
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*Kodak (Far East) Ltd.
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Robert C. Otto

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Albert Meyers

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Laurence T. Higgs

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Rank Xerox
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Toy Gossett

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Shell House
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Mathew Chen
John Lee

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Ted Van Doorn
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Bernard Halperin

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Walt Disney Distributors
Roland Price

Warren Imports
Harry Laurence

The Washington Star-News
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Wooster Brush Company
Wooster, Ohio 44691
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Henry C. Lee

Y

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Honolulu, Hawaii
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This list is unofficial and may not be complete. Some participants attended on another firm's invitation. * indicates member firm, NCUSCT.

The entrance to the Ming Tombs, twenty-six miles north of Peking.

THE CHINA TRADER'S
PEKING

Peking, synonymous with the People's Republic of China, is the most important place in China. It is the traditional home of China's administration: Domestic and foreign policies are decided and announced here. Some say Peking, known for its reserved, sharp-witted people, has the best cuisine in China.

For the US businessman Peking has been especially important as a venue for some of the most substantial US negotiations yet with Chinese trading agencies, all of which are headquartered in China's capital. In Peking foreign trade delegations discuss matters of principle and iron out problems with Chinese authorities. The biggest foreign trade exhibitions in China are held in a Peking center in which one day, we hope, US firms will have the opportunity to display.

An increasing number of US businessmen are visiting Peking, having their photograph taken against such famous places as the Great Wall and the Ming Tombs, and sampling the rigors of negotiating sessions wih the Chinese. This guide, prepared by Peter D. Weintraub, is the first in a series of articles on aspects of doing business in China's capital.

Peking has a history that predates even the most ancient of European capitals. Records show that 4,000 years ago a settlement called Yu-chou existed near the present site of the city. During the Chou dynasty, 700 years before Christ, the State of Yen established Chi Ch'eng at the same location. In 1263 the Mongols built a capital there and called it Ta Tu, or Great City. A century and a half later, in 1420, the Ming Emperor Yung Lo moved his capital northwards and renamed it Peking, which means Northern Capital. With few interruptions, Peking has remained China's capital to this day.

Peking lies on the extreme northern edge of the North China plain, a vast storehouse of winter wheat, kaoliang and corn broken only by the Huai Ho and upper Han Shui valleys which separates China's course grain areas from rice growing provinces to the South. To the East is Tientsin and the Pohai Gulf, the presumed site of significant offshore oil deposits. To the north, only 40 miles from the city, the Great Wall of China, in former times marking the reach of Chinese civilization, winds its way west and southwards astride the Wu Tai and Tai Hang Mountains, dividing Eastern China from the harsh loessial soils of Shensi, Shansi and eastern Kansu.

Today Peking is the political, cultural and spiritual center of a reawakened China and home to seven million people. The headquarters of both of the government and the Communist Party are located here as well as all foreign embassies. Peking University, which has played a critical role during the last 50 years of Chinese history, lies in a nearby suburb on the road to the Summer Palace. In the city's geographic center is the Imperial City, repository of the Palace Museum and link with China's past: Surely not by accident Mao Tse-tung proclaimed the establishment of the People's Republic from the Gate of Heavenly Peace at its entrance.

Since that October day in 1949 Peking has developed into an important manufacturing center. The handicrafts and highly skilled arts of the past have remained. To that base has been added diversified industry including petrochemicals, electronic and communications equipment, iron and steel, agricultural and automotive equipment, and natural and synthetic fibers.

Of more immediate interest to the China trader is the city's status as a focus of China's foreign trade. Though historically Shanghai and Kwangchow have had greater involvement in China's commercial life, Peking is now the headquarters of all China's major agencies concerned with foreign trade, including the Ministry of Foreign Trade, Bank of China, the China Council for the Promotion of International Trade (CCPIT) and China's eight Foreign Trade Corporations (FTCs).

Arrival

Americans now usually arrive in Peking by air. Peking International Airport, about 18 miles northeast of the city, is served by six international

JAL photo.

carriers (Swissair and Canadian Pacific are expected to join this list in April) and the PRC national airline, the Civil Aviation Administration of China (CAAC). The airport is relatively new and includes such usual amenities as a waiting room, restaurant, shops and VIP lounges.

Those visitors for whom Peking is port of entry into China go through customs before being met by their hosts, who in the case of commercial visitors is usually the appropriate FTC. (Companies in Peking to give technical seminars are usually hosted by the CCPIT). The host will arrange baggage pick-up and transportation into town. Charge for the ride, on a per vehicle basis in late 1974, came to approximately RMB 22 or about $11.

Foreign travelers arriving from other cities in China may proceed directly to the baggage claim area. If they are being met, baggage pickup will be arranged by their hosts. Businessmen proceeding to Peking from the Fair in Kwangchow for example, will be asked prior to departure whether they wish to be met in Peking, and if so, a representative from China Travel Service will be at the airport to expedite baggage claim, transportation and hotel check-in. A bill, exceeding by several RMB the taxi fare into town, is presented for these services. Other commercial visitors, returning to Peking after a brief interval in negotiations, will not be met at the airport unless they specifically request it.

Your Accommodations

While there are more than 300 hotels in Peking foreign visitors stay at only five: the Hsin Chiao, the Min Dzu (Nationalities), the Peking, the Friendship and the International. The host organization will have arranged a specific hotel for your stay and only in the most unusual circumstances can this selection be changed.

In general, most American businessmen in Peking for extended period of time stay at the Hsin Ch'iao. Occasionally a first-time visitor will be assigned to the more prestigious Peking but this hotel is normally reserved for official and semi-official delegations. Whichever hotel is chosen for your sojourn in Peking, the host organization will assist you with all check-in procedures.

After the 45 minute drive into town from the airport you will be taken directly to your room by the host. The host organization will prearrange your specific room number so there will be no need to register at the front desk. Each floor of the hotels in Peking reserved for foreigners is equipped with its own service desk, which will provide a registration form to be completed. The service desk on each floor is staffed with a bi-lingual attendant whose duties include arranging for laundry, dry cleaning, and, in general, making sure that your stay at the hotel is comfortable. Personal items may also be purchased here and when you leave the hotel the attendent will hold your room key. The main service desk on the first floor handles inquiries relating to your stay in Peking. For example, they can make restaurant reservations, or give advice on shopping. At a separate desk on the first floor taxis can be booked.

Spartan but Functional

By and large Peking's hotels are spartan but functional. One of the important distinctions among the five which cater to foreigners is their relative distance from FTC buildings where commercial negotiations are conducted. All but the Friendship Hotel, located in the extreme northern suburbs and dubbed by one visitor "The Great Wall Annex", are convenient. Most of the foreign guests here are involved in exhibitions taking place at the nearby Peking Exhibition Center, though from time to time the Friendship is called upon to handle overflow from the other hotels.

A baggage label from the Peking Hotel, complete with new wing.

The six story Hsin Chiao, to the southeast of Tien An Men and across the street from the former Legation Quarter, is in the Soviet architectural style. Rooms are just large enough to accommodate twin beds, a desk and two easy chairs, and most come with bath. The Hsin Chiao has two dining rooms, Chinese on the first floor and western-style on the sixth. Additionally, the hotel has a roof garden and a large ballroom. There is no television or air conditioning. The main building of Peking Hotel is older than the Hsin Chiao, but a recently completed (1974) addition, replete with the latest in electrical conveniences, adds an air of unmistakable modernity. Visitors who have sampled both claim the accommodations at the Peking

ARRANGING A BANQUET FOR YOUR HOSTS

Most American business delegations to Peking have, during the course of their stay, been feted at a banquet by the host organization. It is customary to reciprocate this favor, usually in the latter stages of negotiations, or after the contract is signed.

Banquets may be organized by service personnel at the hotel housing your delegation, though on at least one occasion junior officials on the Chinese side of the bargaining table have helped with the details. In 1974, a price of $15 per person was adequate to insure a complete meal, and, while some firms have spent three or four times this amount, anything is excess of $30 per person could be considered excessively ostentatious.

During the early part of the meal the host should propose a toast, with the guest expected to respond. Normally the guest leaves shortly after the meal is concluded. Officers at USLO are pleased to discuss matters of protocol and other details as desired.

are superior to those of the Hsin Chiao. The Peking's dining room serves both western and Chinese food.

Though on occasion American commercial visitors stay at the Min Dzu, this hotel is primarily reserved for what the Chinese term "friendship delegations," its amenities similar to those of the Hsin Chiao.. There are separate dining rooms on the first floor for western and Chinese food, plus a snack counter in the lobby for candies and fruit.

All of these hotels have laundry services available for a modest price—a recent visitor paid RMB 3.45 (about $1.75) at the Min Dzu for a full load—though room rates themselves have picked up considerably since the early part of 1973. Prices at the Min Dzu for example, ran about RMB 14 per day in late 1974, but the other Peking hotels for foreigners now charge a per diem rate of about RMB 20 or higher.

The only security obligation associated with a foreigner's stay in Peking is normally seen to by the host organization. Any foreigner remaining in a Chinese city for more than 48 hours must register his presence with local branch of the Public Security Bureau (PSB). Shortly after arriving at the hotel, a representative of the host organization will ask for your passport which will then be taken to the PSB. It will normally be returned within one or two days.

Negotiations—Time and Place

Either on the ride in from the airport or during check-in at the hotel your FTC hosts will probably inform you when and where the first session of business negotiations will take place. Commercial discussions in Peking are normally held in the building of the FTC concerned. There is no hard and fast schedule but most companies have found that there is a morning session from 8:30 to 11:30 and an afternoon session from 2:00 to 5:30. During the interim American delegations return to the hotel for lunch. The Chinese operate on a six-day week (Monday-Saturday) but most companies have found that during the course of the negotiations two or three business days are given over to sightseeing.

Your Chinese hosts will not usually provide escort services to and from the FTC building. Transportation can be arranged by booking a cab at the front desk of the hotel. The bilingual desk attendant will be able to inform the driver of your destination. FTC representatives can reserve a cab for your return trip to the hotel.

Public holidays in China are October 1 (National day), May 1 (May Day) and two or three days in late January or early February (Lunar New Year). FTCs will be closed during these times.

If You Need Medical Help . . .

Medical services are available to foreigners in China through their host organization. In the case of American businessmen, the host FTC can arrange for treatment ranging from a brief doctor's visit to hospitalization.

The Chinese at all times show extreme concern for the health of foreign visitors to the PRC. Capital Hospital in Peking is equipped with modern facilities, which are certainly adequate for all but perhaps the most complicated illness. Foreigners with RH negative blood should inform their hosts of this so that they can be prepared should a problem arise. (Chinese people do not have RH negative blood and consequently blood banks in the PRC do not store it.)

If a visitor uses any special medicine on a regular basis, he should bring along enough to last his stay in Peking. Medicine for personal use can be brought into the PRC duty free and can be sent through the mail untaxed provided its value does not exceed RMB 50.

Generally speaking, the water supply in Peking is clean and potable but cases of intestinal disorders occur among some visitors. Boiled water is generally available at the hotels on request. Travelers may wish to bring along supplies of symptomatic remedies such as decongestants, to which they are accustomed.

Communications

Americans can communicate directly from Peking to the US by mail, cable, or telephone. At present there are no public telex facilities in the city available to foreigners though, as the frequency of foreign business visits increases, this service may be instituted.

Air Mail from Peking to the US normally takes 5-9 days with sea mail requiring considerably longer (at least a month). For details of mail rates for China, see USCBR Vol. 1 No. 5. The Central Post Office is located at Hsi Chang An Chieh.

All major hotels have a cable office which is open during business hours. The central cable office, located in Peking's main post office, is open 24 hours a day. Rates to the US for ordinary service (8 hour delivery) are RMB 1.30 per word and for urgent service (4 hour delivery) RMB 2.60 per word.

Overseas telephone calls may be placed at the Central Post Office and must be booked in advance. Charges may be reversed. The cost of a three minute call to any point in the US is RMB 37 and there is a RMB 10 charge for each additional minute. There is a RMB 4 service charge on each call, regardless of whether it goes through or not. Calls are routed through Shanghai to Oakland and Chinese overseas operators speak excellent English.

HOW MUCH MONEY SHOULD YOU BRING TO PEKING?

One of the difficulties of staying in Peking for a prolonged period of time is lack of access to funds. Chinese commercial outlets, including shops, hotels, and restaurants do not accept credit cards. The absence of correspondent relationships between US banks and the Bank of China (BOC) precludes normal credit arrangements. With this in mind it is important to bring into China an adequate amount of cash and/or travelers checks.

While the Renminbi (RMB) is one of the world's most stable currencies, inflation has affected one particular element in the PRC—the foreign visitor. In the time since US business delegations began visiting the PRC, prices for domestic transportation, hotels, food and other incidental expenses have increased to the point where each foreigner should be prepared to spend at least $50 for each day he stays in Peking.

A foreign visitor may wish to open an account with the Bank of China in Peking, which is easily done (See UCBR Vol 1, No. 4, Page 43), or obtain a travelers' letter of credit from the Bank of China in Hong Kong.

All foreign currency, including travelers' checks, must be declared at the Chinese port of entry. The Bank of China accepts Chase Manhattan, Thomas Cooks, American Express and First National City Bank Dollar travelers checks, as well as travelers checks denominated in foreign currency, including Bank of Tokyo yen checks and Barclay's Sterling checks. In addition the BOC will negotiate Travelers Letters of Credit from a number of banks, including Chase Manhattan in the U.S.

PRC regulations prohibit taking Chinese currency out of the country, and facilities for reconverting RMB (including coins) into foreign currency are maintained at exit points.

Transportation

While Peking has a sprawling bus network which crisscrosses the city and stretches far into the suburbs, most foreigners travel by taxi cab. In addition, there is a subway system.

As of late 1974 there were two major varieties of taxicabs: relatively new Toyotas and older Russian Mosckvas and Chech Skodas which are gradually being phased out of service. Taxi pools are available at the airport, the train station, the Exhibition Center and all the major hotels. Hotel front desk attendants can inform the driver of your destination. To order a cab from anywhere else it is necessary to phone the central cab dispatcher (557 661) allowing approximately 15 minutes for arrival. The dispatcher speaks only Chinese but restaurant personnel are accustomed to providing this service. For a small charge cab drivers will also wait for their riders which avoids the difficulty of reordering a taxi.

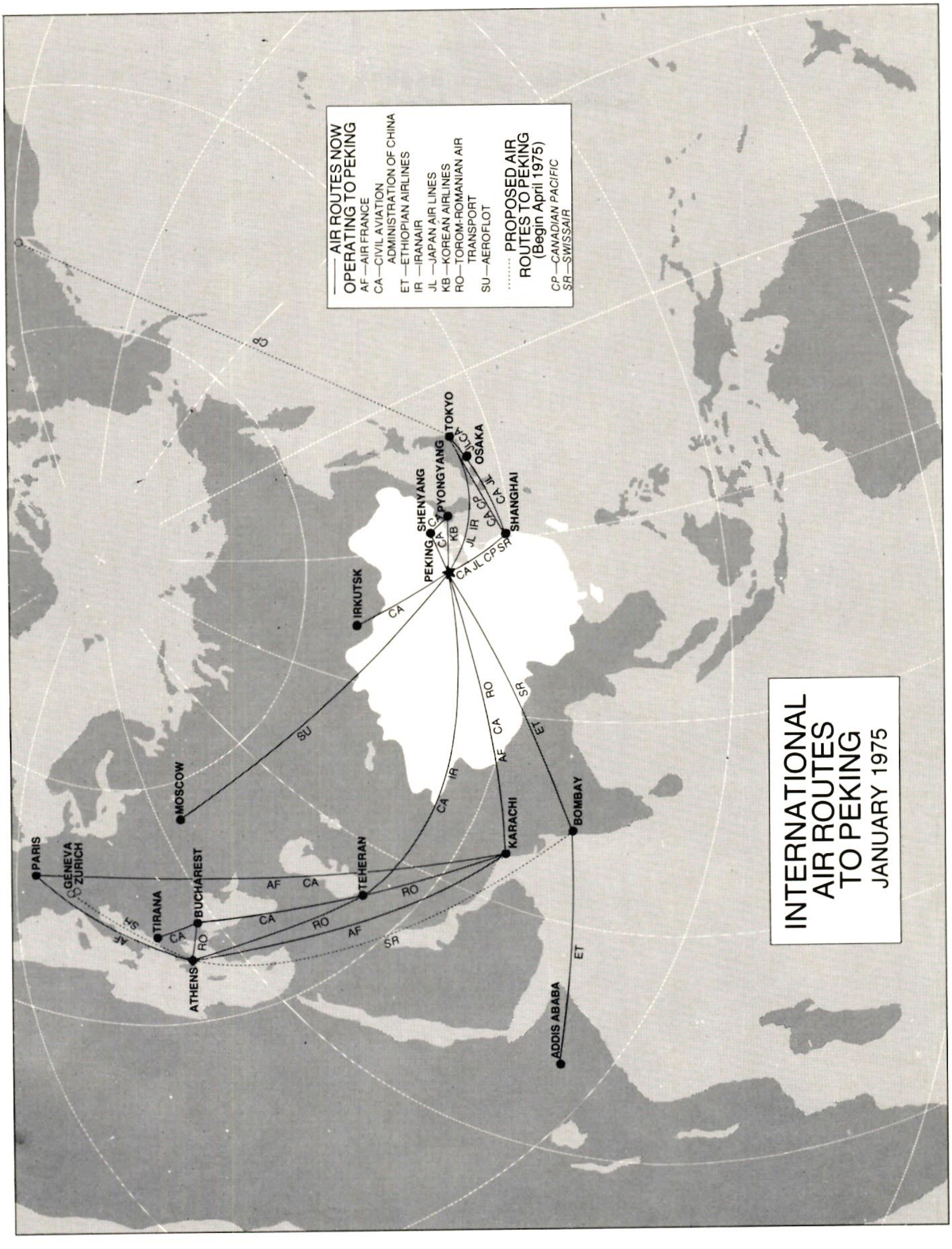
Taxi prices vary according to the size and condition of the car. The base rate for Toyotas is RMB 2 and for the Mosckvas and Skodas RMB 1.5, with the fare increasing about RMB 1 per mile in either case. A recent American business visitor to Peking reported spending an average RMB 30 per day on cabs.

While buses are extremely cheap—the base rate is the equivalent of 1¢—they are often extremely crowded and are recommended only for those who know Peking well or have a good command of the language. Tricars are also available for about half the price of a taxi. They can be boarded at special stops recognizable by a booth ticket office where you state your destination and pay the fare.

Western Amenities

In addition to the US Liaison Office (see separate story), western embassies have limited facilities which are open to Americans. The British, for example, have a weekly movie, but the sixty available tickets are usually sold out well in advance. The only western cultural center in Peking is maintained by the French. Located in Tai Chi Chang San Tiao, the center has a library and is open daily from 2:30 to 5:00 PM.

The Chinese themselves operate a recreation complex exclusively for the use of foreigners,—diplomats as well as visitors—called the Interna-


INTERNATIONAL AIR ROUTES TO PEKING
JANUARY 1975
AIR ROUTES NOW OPERATING TO PEKING
AF—AIR FRANCE
CA—CIVIL AVIATION ADMINISTRATION OF CHINA
ET—ETHIOPIAN AIRLINES
IR—IRANAIR
JL—JAPAN AIR LINES
KB—KOREAN AIRLINES
RO—TOROM-ROMANIAN AIR TRANSPORT
SU—AEROFLOT
PROPOSED AIR ROUTES TO PEKING
(Begin April 1975)
CP—CANADIAN PACIFIC
SR—SWISSAIR
PEKING
SHENYANG
PYONGYANG
TOKYO
OSAKA
SHANGHAI
IRKUTSK
MOSCOW
PARIS
GENEVA
ZURICH
TIRANA
BUCHAREST
ATHENS
TEHERAN
KARACHI
BOMBAY
ADDIS ABABA


PEKING METROPO
YIHOYUAN ROAD
KUNMING LAKE
KUNMINGHU ROAD
To Ming Tombs
(See Regional Map)
HAITEN ROAD
HSUEHYUAN ROAD
CHANGPING ROAD
W. PEIHUAN ROAD
E. PEIHUAN R
SOOCHOW STREET
S. HSUEHYUAN ROAD
HSINCHIEHKOUWAI ST.
TEHSHENGMENWAI ST.
PAISHIHCHIAO ROAD
S. KUNMING ROAD
TZUCHUYUAN ROAD
IRRIGATION CANAL
PURPLE BAMBOO PARK
MOAT
W. KULOU ST.
E. KU
NANHAN RIVER
HSICHIHMENWAI ST.
HSICHIHMENNEI ST.
PEKING-MIYUN
ROAD
W. TI AN MEN ST.
E. TI AN
SANLIHO ROAD
PENHAI PARK
FUCHENG ROAD
FUWAI ST.
FUNEI ST.
WENTSIN ROAD
YUYUANTAN
YUEHTAN PARK
S. LISHIH ROAD
WUKOSUNG
N. HSITAN ST.
FUHSINGMENWAI AVE.
FUHSINGMENNEI AVE.
WEST CHANGAN AVE.
EAST
LIENHUA RIVER
LIENHUA POND
HSUANWUMENWAI ST.
CHIENMEN ST.
LULICHANG ST.
KUANGANMENWAI ST.
KUANGANMENNEI ST.
FENGTAI ROAD
NIUCHIEH ST.
S. TIENCHIAO ST.
PAVILION PARK
YUNEI ST.
LUKOUCHIAO ROAD
LIANGSHUI
RIVER
YUNGTINGMENWAI ST.
1
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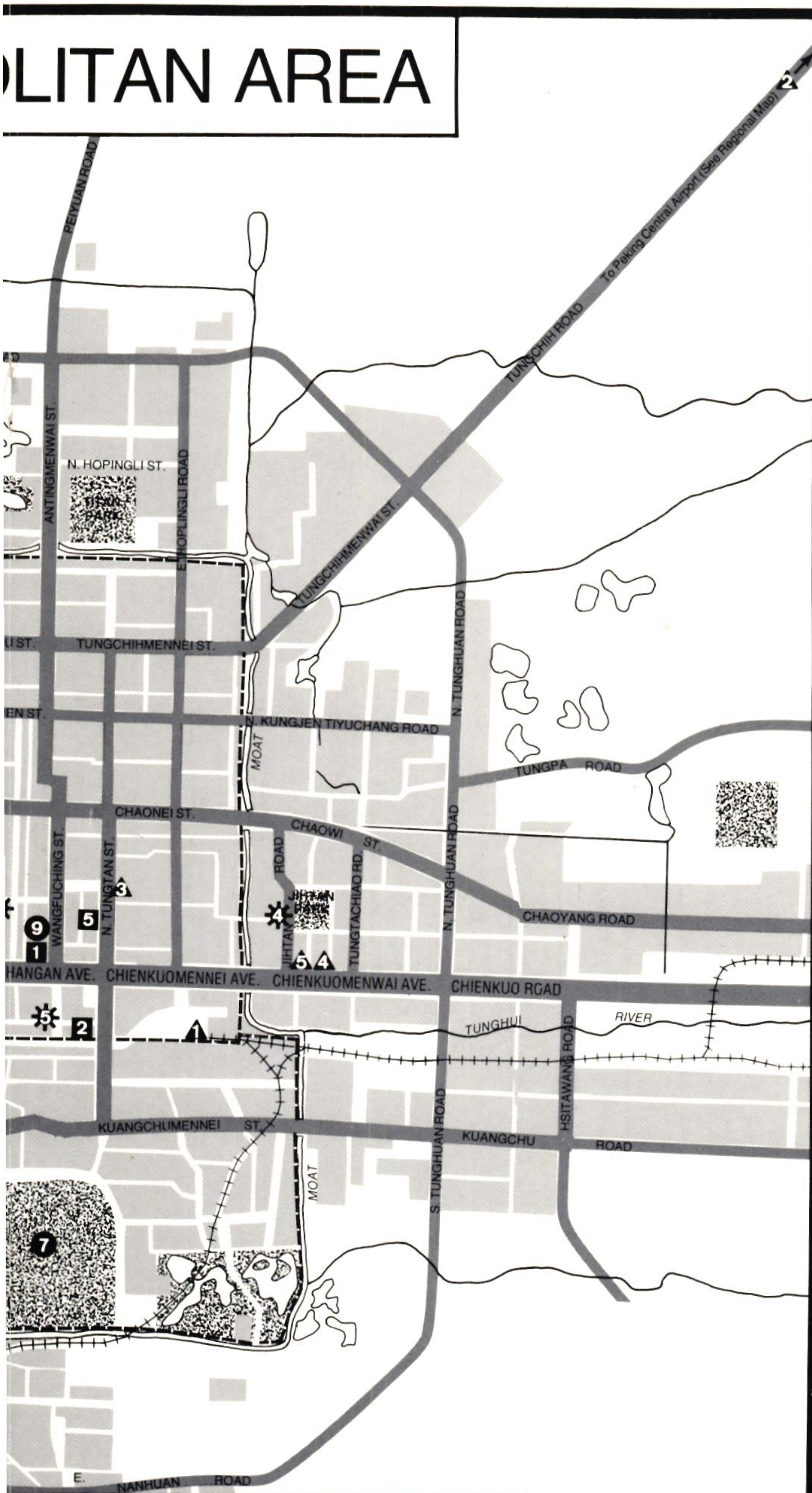


✱ LOCATIONS OF COMMERCIAL INTEREST

1. PEKING EXHIBITION CENTER
2. IMPORT BUILDING
   FOREIGN TRADE CORPORATIONS
   CHINA NATIONAL TECHNICAL IMPORT CORP.
   CHINA NATIONAL CHEMICALS IMPORT & EXPORT CORP.
   CHINA NATIONAL MINERALS & METAL IMPORT & EXPORT CORP.
   CHINA NATIONAL MACHINERY IMPORT & EXPORT CORP.
3. EXPORT BUILDING
   FOREIGN TRADE CORPORATIONS
   CHINA NATIONAL CEREALS, OILS & FOODSTUFFS IMPORT & EXPORT CORP.
   CHINA NATIONAL TEXTILES IMPORT & EXPORT CORP.
   CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT & EXPORT CORP.
   CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BYPRODUCTS IMPORT & EXPORT CORP.
4. UNITED STATES LIAISON OFFICE
5. BANK OF CHINA
6. TELEGRAPH OFFICE
7. CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE

■ HOTELS

1. PEKING HOTEL
2. HSIN CHIAO HOTEL
3. MIN DZU HOTEL
4. FRIENDSHIP HOTEL
5. PEACE HOTEL

● SITES OF INTEREST

1. TIEN AN MEN SQUARE
2. GREAT HALL OF THE PEOPLE
3. PALACE MUSEUM (Forbidden City)
4. SUMMER PALACE
5. PEKING UNIVERSITY
6. PEKING ZOO
7. TEMPLE OF HEAVEN
8. WEST MARKET
9. PEKING DEPARTMENT STORE
10. COAL HILL PARK
11. MING TOMBS (See Regional Map)
12. GREAT WALL (See Regional Map)

▲ MISCELLANEOUS

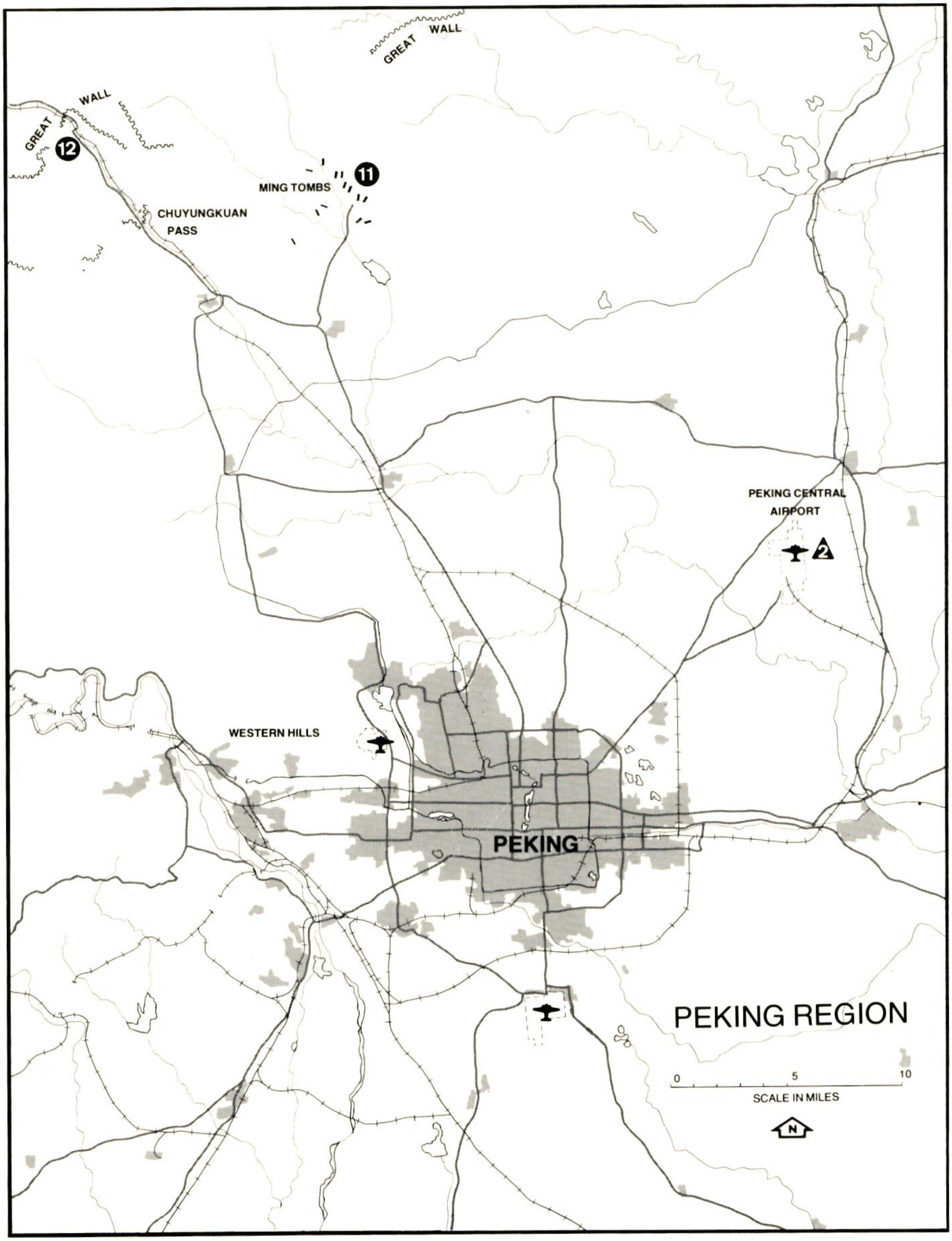
1. PEKING RAILROAD STATION
2. PEKING CENTRAL AIRPORT (See Regional Map)
3. CAPITAL HOSPITAL
4. FRIENDSHIP STORE
5. INTERNATIONAL CLUB

--------CITY WALLS Recent visitor reports wall being removed

N

0 1 2 3

SCALE IN MILES


GREAT WALL
GREAT WALL
12
11
MING TOMBS
CHUYUNGKUAN PASS
PEKING CENTRAL AIRPORT
2
WESTERN HILLS
PEKING
PEKING REGION
0 5 10
SCALE IN MILES
N

tional Club. Facilities include a swimming pool, bowling alley, tennis court and billiards room. Though these same facilities (with the exception of the bowling alley) are available elsewhere in Peking, foreigners are encouraged to confine their physical fitness activities to the grounds of the International Club. One recent guest at the Peking Hotel however, jogged several miles every morning in Peking without arousing any more than good natured curiosity.

Receiving the News

While western newspapers or magazines cannot be purchased in Peking, foreign visitors may receive them through the mail. Chinese customs officials permit printed material which is "not detrimental to the economic, political, moral or social interests of the nation" to enter the PRC, and recent experience has shown that there are no problems in receiving newsmagazines such as *Time* or *Newsweek* and newspapers like the *New York Times*.

Both the British Broadcasting Company (BBC) and the Voice of America (VOA) can be heard in Peking and visitors may bring in a small short wave radio with them or rent one for less than RMB 1.4 per day from their hotel. Both BBC and VOA air news hourly and during evening hours can be picked up at 11.75 MHz and 15.345 MHz respectively.

What To See and Do in Your Leisure Time

Peking is an amalgam of ancient and modern. The foreign visitor can spend one day in the labyrinthic antiquity of the Forbidden City and the next touring a People's Commune on the City's outskirts. He can walk upon portions of the 2,000 year old Great Wall or talk to workers about mass line management practices in a textile mill. He can observe the grace and subtlety of ritualized Tai Chi in the early morning and attend a performance of China's modern revolutionary opera or ballet that evening. It is all there to be experienced in Peking.

But caution—the foreigner who comes to Peking expecting to find the nightlife of Paris or Tokyo will undoubtedly be disappointed. This is a serious society and the tenor of diversion reflects that seriousness. Yet there is so much to see and do here that the visitor should hardly miss the atmosphere of diversion found elsewhere. Peking may prove occasionally trying for the foreign diplomat resident for the long term, but a temporary guest should see his trip as the chance of a lifetime.

Seeing the Sights in and around Peking

Several days of your negotiating time in China's capital will normally be given over to sightseeing, but FTC hosts can always be approached to arrange special trips. Aside from the Forbidden City and the Great Wall places of unusual historical interest in the Peking area include the Summer Palace and the Ming Tombs. Visits to factories, schools and communes are also possible though it is sometimes difficult to obtain permission to visit Peking University. The city itself is relatively open and you will find yourself free to walk about without escort. As anywhere in China, dress for a night out on the town is informal in Peking. Similar informality obtains for visits to historical sites.

In the evenings there are performances of modern opera and ballet which are colorful, dynamic, and highly politicized. Five operas were in production in late 1974, all dating from the Cultural Revolution when Madam Mao, herself a popular Shanghai film actress in the thirties, directed a revision of the content of China's dramatic offerings. Two ballets reflect similar changes and both opera and ballet have been filmed, so cinemas often feature the same productions as the live stage.

For the inveterate sports fan, athletic events are held from time to time and FTC hosts can provide information as to what's on as well as arranging tickets. In the last 18 months, Peking has entertained, among others, a visiting ice hockey team from Canada, ping pong groups from Africa and Asia, and two basketball teams from the US. Whatever the sports event, China stresses friendship first, competition second.

Ticket prices for athletic contests, as well as opera, ballet and cinema are extremely cheap. A first run movie usually costs no more than ¥ 0.30 while live theatre and sports tickets rarely exceed ¥ 1.00. Tours to schools, communes and factories are always gratis except for transportation and guides if from China Travel Service; in some cases even this expense is covered by the host FTC. First timers should be aware that steep inclines on the Great Wall, sometimes approaching 45°, make rubber soled shoes or sneakers a near necessity.

Photographers will find an ample supply of subjects for their lenses in Peking and its environs. Generally speaking the visitor is free to photograph anywhere in China with a few exceptions (e.g. from plane windows or at airports), but it is always advisable to use discretion when taking pictures. As a matter of common courtesy, foreigners should ask permission before photographing individuals.

Though 35mm color slide film is in short supply within the PRC, both black and white and color print film are readily available. It is still advisable to buy your film before crossing the border; the Chinese can if necessary process it for you. Chinese authorities did not permit undeveloped film to leave the country at one time, but recent travellers to the PRC indicate that this is not now the case. Travelers may want to bring an extra camera battery with them as these are difficult to obtain. The Peking Camera Repair Shop, located at 182 Wang Fu Ching, can handle minor repairs.

Shopping

Three factors combine to limit the attractiveness of Peking to shoppers: the government prohibits the export of any article more than 170 years old unless specifically authorized, though some claim this rule is honored more in the breach than the observance; prices of those antiques which can leave the country have skyrocketed in the last 12-18 months to the point where in many cases Hong Kong offers better bargains for similar merchandise; and other consumer oriented products have not received the necessary attention to make them competitive on the world market.

Nevertheless, for discerning shoppers prepared to exercise a liberal amount of patience, Peking's

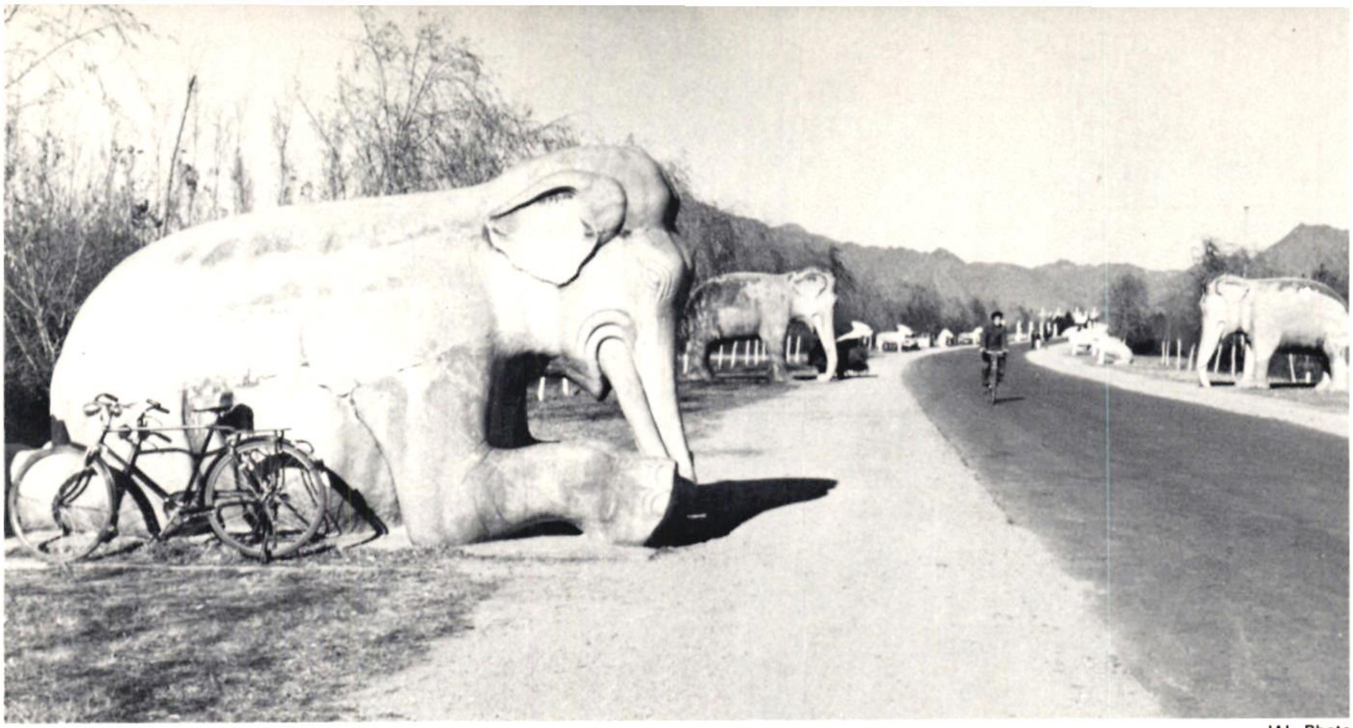
WHAT TO WEAR—THE SEASONS IN PEKING

The contents of an executive's suitcase will be largely dependent upon the time of year he or she visits Peking. The climate of the Peking area has been likened to that of Chicago, windy and with a considerable seasonal variation in temperature.

As a general rule, an appropriate wardrobe should include both customary business and casual attire. Flamboyant clothing is not often seen in Peking. Comfortable walking shoes are a must during all seasons. The following chart provides detailed clothing information and is keyed to seasonal climatic variations as indicated:

Season	Suggested Wardrobe
Winter (December-March)—The winter season in Peking is characterized by moderate to extreme cold (the January average temperature is 23°F.) unusual dryness and occasional high winds. Though precipitation during the winter months rarely exceeds 3 or 4 inches, snowstorms are not unheard of.	Heavy topcoat, hats, sweaters, gloves, high boots, two woolen suits and a half dozen shirts. For women: slacks are almost a must. (Vitamin C and plenty of tissues are also recommended).
Spring (April-May)—The spring in Peking is short with rapidly increasing temperatures combining with low moisture and humidity to give the impression of unusual dryness. Precipitation in April and May is normally no more than an inch or two, and by early June temperatures have climbed well above 70°F.	Cotton clothing including shirts and suits with light woolen and other between-season clothes for the cool evenings.
Summer (June-September)—This is the rainy season in Peking. During July the monsoon winds bring an average of ten inches to the city and its environs. In fact, June, July and August account for more than three-quarters of Peking's total annual rainfall. Midsummer temperatures average 80°F.	Light cotton suits and shirts, raincoat and umbrella.
Fall (October-November)—Autumn in Peking is short and sweet. Temperatures begin to moderate in late September and by early December they have reached their lowest point of the year. But in September and October the thermometer is in the 50° to 60°F. range and precipitation is insignificant. Many feel this is the city's most comfortable season.	Almost identical to spring, with perhaps more emphasis on light woolens, particularly during the latter part of the season.

Aside from clothing, other personal items, particularly those unavailable in Peking, should be packed. In this category are supplies of instant coffee, tissue, liquor and cigarettes, reading materials, including a good guide book, (*Nagel's*, published by the Henry Regnery Company, Chicago, and *Fodor's Peking* are outstanding), salt tablets (for the summer months), small incidental items such as transistor radios with replacement batteries, cameras with ample film, and any special medicines for personal consumption. Business machines, including tape recorders, film projectors, typewriters and copiers, are allowed to be brought into the PRC untaxed.



JAL Photo

CARVED STONE ELEPHANTS and lions and marble camels line the avenue leading to the Ming Tombs located in a valley north of Peking. The animals are legendary substitutes for sacrifices once offered at funerals.

stores do offer some good opportunities. There are five outlets of special interest to foreigners:

The Peking Antiquity Store on Li Liu Chang displays a wide range of items from China's past. The shop at 63 Li Liu Chang has scrolls and paintings, some of which are valued in excess of several thousand Yuan. Copies are available at reduced prices. Two pottery and porcelain stores at 80 Liu Li Chang and 70 Liu Li Chang sell imitation Tang pottery as well as antique pieces of porcelain and some jade carvings. The Tomb inscriptions shops at 20 Liu Li Chang has old stone rubbings.

Visitors who buy from any of these shops should take care not to remove the red seal on items purchased and retain receipts as proof of purchase.

The Friendship Store on Chien Kuo Men Wai is exclusively for foreigners. Among the more popular items sold here are bottles of Mao Tai, carved chopsticks, paintings on silk and arts and crafts products. Like antiques, goods at the Friendship Store have also increased in price of late and may be cheaper in Hong Kong. Stores selling household products, musical instruments, books, works of art and handicrafts may be visited on Wang Fu Ching Street. Veteran China travelers say that a trip to a large department store is definitely a worthwhile experience.

Items purchased in China and totaling less than $100 in value may be brought into the US duty free. However, because the PRC does not yet enjoy MFN status, tariffs on purchases in excess of $100 can be high. Rugs, jewelry and brocade cloth for example, are subject to duties ranging from 45% to 60%. 完

OTHER ROUTES TO PEKING

(Note: A businessman's visa indicates the port(s) of entry into the PRC. Entry via a port not specified on the visa is not possible.)

Apart from direct air routes to the Chinese capital there are a number of other ways for the American businessman to reach Peking. Until the inauguration of the new JAL/CAAC Tokyo-Osaka-Shanghai-Peking service last September most American commercial visitors enroute to Peking had traveled via Kwangchow, or flown on Air France or PIA eastbound from Europe. The Kwangchow connection involves taking one of the 34 weekly flights from the US to Hong Kong (Northwest, Pan Am and TWA), boarding one of the five daily trains from Kowloon to the Chinese border at Lo Wu, walking over the famous covered bridge into China, reboarding the Shumchun-Kwangchow Express and finally flying onto Peking from Kwangchow. Without allowing for stopover in Hong Kong, (two or three days are usually necessary for China Travel Service to process your train ticket for Kwangchow)—or time between other connections, the entire trip to Peking requires 22 hours in travel time from the US West Coast.

One other international route into Peking is also available though few, if any, American business visitors have probably yet taken advantage of it. For the dyed-in-the-wool railroad fan who is looking for something new and different, and has several days to spare and a knack for getting visas where most others seem to fail, a 14-car coach train departs Moscow's Yaraslav Station every Wednesday evening for the 6-day, 4,890 miles journey to Peking, via Ulan Bator.

CHINA'S FOREIGN FINANCIAL LIABILITIES

David L. Denny

"Only self-reliance is a sure-fire method. Why is there world inflation, with only the renminbi not likely to be affected? Because of our reliance on our own resources. We now also accept installment payment terms for machinery from abroad but only in the knowledge that we are capable of making regular payments. We must remain free from debts, both at home and abroad, and go not further than that."

Teng Hsiao-ping, Vice Premier of China, at a reception of Overseas Chinese, Peking, October 2, 1974

In the last months of 1974 observers of the foreign trade of the People's Republic of China have grown somewhat bearish, a reversal from the optimism that greeted the rapid expansion of China's foreign trade in the past few years (see Eckstein, *UCBR,* Vol. I, No. 4, p. 15). With worsening worldwide economic conditions, China has been faced with difficult markets for some of her most important exports, such as textiles and light industrial products. Reports of requests to defer shipments of such imports as urea and steel from Japan suggests the PRC is acting to conserve and maximize its foreign exchange earnings.

There have also been reports that the Bank of China (BOC) has adopted a more aggressive stance in soliciting hard currency deposits from individuals, companies and banks (see Wilson, *UCBR,* Vol. 1, No. 6, p. 20). The magnitude of these deposits is impossible to determine, but they have given rise to speculation that China faces short-term foreign exchange problems. Available estimates suggest that PRC foreign exchange holdings, including gold—$1 to $4 billion—are relatively satisfactory in relation to its trade levels, but the estimates are crude and speculative.

In the last six months China appears to have been a less aggressive purchaser of agricultural and nonagricultural products than in the previous two years. On the agricultural side, a major reason appears to be the improvement in China's 1973 and 1974 harvests.

On the nonagricultural side, the lower level of complete plant and machinery and equipment purchases may only reflect a pause in the PRC purchasing cycle. Such purchases have been extremely large—the equivalent of over $2 billion

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for complete plant in 1973 and 1974 which the PRC must install and start up in the next few years. Further purchases involve much planning and contractual discussions take considerable time. In addition, the difficulties some Western firms face in providing such plant, including full order books, escalating costs, and short supplies, may have led to hesitation on the part of potential suppliers. Thus, a shortage of foreign exchange may not be the only factor in the recent slowdown in PRC purchases.

The purpose of this review is to set out an estimate of the schedule of repayments that have been incurred because of recent PRC purchases. Such information, of course, is only one aspect of China's future balance of payments but it is an important stepping stone toward such an analysis.

The preponderant share of PRC future financial liabilities derives from goods which the PRC has already purchased or contracted for. Assuming a continuation of normal wheat imports, repayments for these products will total about $1 billion annually during the rest of the 1970s and the repayment schedule will extend until 1982. Two major factors account for such financial liabilities: purchases of agricultural products on 12-18 month terms; and purchases of complete plant to be paid for through the vehicles of "progress payments" and "deferred payments."

In 1973 China's purchases of agricultural products totaled the equivalent of about $1.3 billion and the total will almost certainly exceed $1.5 billion in 1974. This is more than double the 1972 level and is attributable both to substantially higher physical imports and to higher prices for agricultural products. For the remainder of the 1970s, it is assumed that China will import some 5-6 million tons of food grains annually. In fact, the PRC has already contracted for about 5 million tons of food grain annually through 1976. At current prices, China will have to allocate the equivalent of about $700 million annually for such purchases. For 1975 and possibly 1976, PRC financial liabilities will be substantially greater, that is, more than $1 billion, as principal and interest on the financing for the 1973 and 1974 agricultural shipments are repaid.

The most dramatic aspect of recent PRC foreign trade policy is Peking's purchase of $2.1 billion worth of complete plant since December 1972 (Table 1), most of it financed on some kind of delayed payment basis—either "progress payments" or "deferred payment." Under the progress payments formula, a standard method of buying plant, the Chinese make a 10-20 percent down payment and discharge their remaining liability while the plant is being installed. Under the system of "deferred payments" the PRC makes a down payment, commonly 20 percent, then pays the remainder at regular intervals over a five-year period *after the plant is completed*. Since the builder of the plant does not begin to receive most of his money until after construction is completed, this amounts to granting a medium-term loan to the PRC. Although China apparently considers this normal commercial practice rather than foreign debt per se, she has been willing to accept the principle of paying an additional amount so long as the rate is moderate. Such rates, 6 percent or slightly more, have been made possible through the Japanese Export-Import Bank and institutions in Europe.

The list of complete plants presented in Table 1 does not include complete plant purchases for which the PRC paid cash. It also does not include one or two purchases for which information about the price and financial terms is unavailable. Most importantly, it does not include purchases of machinery and equipment—some of which have been purchased on deferred payment terms. However, the latter two categories are thought to be quite small and would not significantly change the estimates presented in Table 1.

Since progress payments are completed by the time that the plants are installed, this method does not involve a loan to the PRC; nor does it involve interest payments, but it does spread the foreign exchange burden over several years.

Column 1 in Table 2 sets out an estimate of the repayment schedule on the plants for which the Chinese have already contracted. The required repayments are fairly constant from 1975 through 1979, rising to a peak of about $350 million in 1977 and 1978. The peak amount represents only 8 percent of China's anticipated exports to non-Communist countries in 1974. This share will decrease significantly in the 1975-1980 period as trade grows both in real and money terms.

This level of required financial repayments is quite low by conventional standards: the ratio of repayments to exports varies between 10 and 20 percent in East European countries and has ranged between 20 and 30 percent for Brazil. With the established financial reputation of the BOC, it seems unlikely that foreign bankers will be very concerned.

The interesting question is whether the PRC can continue its complete plant import program indefinitely without beginning to undermine its current credit status. Column 2 assumes that the PRC will continue to purchase about $1 billion worth of complete plants annually through 1982, and assumes that they will be completed 2 years after the contract is signed. The result is a steady rise in the PRC repayment schedule (down payments plus repayment of principal and interest) to

TABLE 1

PRC Plant Purchases Financed on Progress Payments or Deferred Payments

Country and Company	*Type*	*Value* ($ million rounded equiva-lent)	*Contract Date*	*Scheduled Completion Date*	*Financing*
Japan					
1. Toyo Engineering	Ethylene and Butadene	50	February 1973	1978	D.P.
2. Mitsubishi	Ethylene and poval	34	February 1973	1976	D.P.
3. Asahi Chemical	Acrylonitrile Monomer	30	March 1973	1976	D.P.
4. Kuraray	Vinyl Acetate and poval	26	March 1973	1976	D.P.
5. Toyo Engineering and Mitsui Toatsu	Urea and Ammonia	42	April 1973	1975	D.P.
6. Toray and Mitsui Shipbuilding	Polyester Chips	50	May 1973	1976	D.P.
7. Mitsubishi	Polyethylene, high pressure	22	July 1973	1975	D.P.
8. Sumitomo	Polyethylene, high pressure	47	August 1973	1976	D.P.
9. Hitachi Ltd.	Two thermal electric powerplants	72	September 1973	1975	D.P.
10. Toyo Engineering and Mitsui Toatsu	Urea and ammonia	43	September 1973	1976	D.P.
11. Mitsui Petrochemical and Mitsui Shipbuilding	Polypropylene	25	October 1973	1976	D.P.
12. Nisso Petrochemical	Oxygen, Ethylene Glycol	15	December 1973	1977	D.P.
13. Teijin	Polyester spinning	16	January 1974	1977	P.P.
14. Toho Titanium	Polypropylene Catalyst	5	January 1974	1977	P.P.
15. Nippon Steel and Hitachi	Hot Strip Rolling Mill and Silicon Steel Plate	229	January 1974		D.P.
16. Kuraray	Polyvinyl alcohol	19	February 1974	1976	D.P.
17. Kuraray	Polyvinyl alcohol	18	October 1974	1977	D.P.
18. Nippon Steel Co.	Ancillary equipment for Nippon Steel	65			D.P.
Subtotal		808			
France					
1. Speichem	Vinyl Acetate and methanol	90	May 1973	1976	D.P.
2. Technip and Speichim	Petrochemical Complex	300	September 1973	1978	D.P.
3. Heurtey	Amomnia and Urea Complexes	120	February 1974	1977	D.P.
4. Electromechanique	Thermal electric power plant	41	April 1974	1976	D.P.
5. Rhone Poulenc	Nylon spinning	10	August 1974	1977	D.P.
Subtotal		561			
United States					
1. M. W. Kellogg	Ammonia Plants	205	3 in March and 5 in November 1973	1976-77	P.P.
Subtotal		205			
Netherlands					
1. Kellogg Continental	Urea Plants (8)	89	3 in March, 5 in November, 1975	1976-77	P.P.
Subtotal		89			

TABLE 1 (Continued)

PRC Plant Purchases Financed on Progress Payments or Deferred Payments

Country and Company	*Type*	*Value* ($ million rounded equivalent)	*Contract Date*	*Scheduled Completion Date*	*Financing*
West Germany					
1. Friedrich Uhde and Hoechst	Acetaldehyde	4	July 1973	1976	P.P.[e]
2. Uhde	Vinyl Chloride Monomer	19	January 1974	1976	P.P.[e]
3. Demag	Cold Rolling Mill	200	March 1974	1977	P.P.[e]
4. Uhde	Polyethylene	15	March 1974	1976	P.P.[e]
5. Demag	Continuous casting mill	57	August 1974	1977[e]	P.P.
Subtotal		295			
Switzerland					
1. Brown, Boverie & Cie and Subsidiaries	Electrical Equipment	59	October 1974	1977[e]	P.P.[e]
2. Brown, Boverie	Electric substations for Demag complex	5	September 1974	1977[e]	P.P.[e]
Subtotal		64			
Italy					
1. G.I.E.	Electric thermal powerplants (3)	79	November 1973	1976[e]	P.D.
2. Snam Progetti	Polypropylene	16	January 1974	1977	P.P.
Subtotal		95			
Grand Total:		2,117			

e—estimate

TABLE 2

Projected PRC Repayment Schedule 1975-1982

	(1) Payments for Complete Plants Already Contracted for as of ***December 31, 1974***	*(2) Payments Made Assuming PRC Continues to Purchase $1 billion Yearly, Medium Term Financing*	*(3) Subtotal (1) & (2)*	*(4) Payments for Agricultural Products*	*(5) Grand Total*
1975	257.5	200.0	457.5	1,000	1,457.5
1976	340.0	200.0	540.0	1,000	1,540.0
1977	358.1	200.0	558.1	700	1,258.1
1978	370.3	416.0	786.3	700	1,486.3
1979	259.6	620.8	880.4	700	1,580.4
1980	218.0	814.4	1,032.4	700	1,732.4
1981	146.9	996.8	1,143.7	700	1,843.7
1982	103.0	1,168.0	1,271.0	700	1,971.0

Column 1—From information in Table 1. For additional details see: US Government, *International Trade Handbook*, October 1974; *U.S. China Business Review* (various issues); and Hans Heymann, *Chinese Approaches to Technological Acquisition*, Part III, "Summary Observations," September, 1974, a forthcoming Rand Corporation Report.

Column 2—In addition to the assumption that China continues to purchase $1 billion annually, the following assumptions are made: (a) China makes 20% down payments ($200 million), (b) the remainder is financed over 5 years at 7%, and (c) the projects are completed 2 years after the contracts are signed.

Column 4—Table 2 assumes that China purchases most or all grain on 12-18 month terms. 5.5 million tons at $120 per ton the value would total about $660 million annually. The financial arrangements vary but all stipulate a certain down payment with the remainder paid at 6, 12, 18 and 24 month intervals.

Note on repayments calculations—Yearly repayment figures are based on constant interest rate on remaining amount of principal.

about $1.2 billion in the early 1980s. To maintain a relatively conservative repayment ratio of 15 percent, PRC exports to non-Communist countries would have to rise to $8 billion by 1980. Since such exports were already $3.9 billion in 1973, and an estimated $4.5 billion in 1974, this would require them to grow only 10 percent annually in current terms. A 10 percent rate of growth of exports may sound optimistic, but it does not seem unreasonable given China's current emphasis on foreign trade and the continuing inflation in world prices. Even if payment for "normal" grain imports were included, the repayment schedule would amount to less than $2 billion in all years. A 20 percent repayment ratio might be maintained by a quite reasonable export growth in current terms of about 12 percent per year.

But the inclusion of repayment for agricultural credits does point up what may be a difficult short term liquidity problem for the PRC. In 1975 and 1976, repayment of agricultural and industrial obligations will amount to at least $1.3 billion, including $300 million for industrial and perhaps $1 billion for agricultural purchases. Depending on the exact size and timing of agricultural repayments, it may be difficult to keep repayments from exceeding 20 percent of exports. Conceivably the necessity of importing unexpectedly large quantities of agricultural products in 1973 and 1974 has been one factor in the noticeable slowdown in complete plant purchase since the Spring of 1974.

In summary, the sound creditworthiness of the PRC does not seem to have been significantly impaired by its recent sizeable purchases of plant and equipment. Even if the present program were to be continued over the next five years and even if agricultural products were included in the calculation, Chinese financial obligations would appear small by conventional standards. This conclusion should be qualified by the fact there is no useful information on such key questions as the level of China's foreign exchange reserves, the level of remittances, and China's balance of payments.

It should also be emphasized that the repayment schedule, while relatively conservative over the longer term, may pose difficult adjustment problems over the next twelve months. The foregoing analysis also rests on the assumption that the value of China's exports will continue to grow at least moderately over the foreseeable future. As with all assumptions this may prove to be in error, but it seems to be the most reasonable one at the present time. The final impression, then, is that PRC foreign trade policy continues to contain a cautious attitude towards expanding its future foreign financial liabilities in relation to its export potential. 完

RMB: DOLLAR RATES SEPTEMBER 1974-1975

Date		*RMB: $*	*US¢/ RMB*	*% Change*
November 6	Bid	1.9453	51.4059	
	Offer	1.9355	51.6662	
	Median	1.9404	51.5357	+3.17
November 12	Bid	1.9531	51.2006	
	Offer	1.9433	51.4588	
	Median	1.9482	51.3294	−0.40
November 15	Bid	1.9374	51.6155	
	Offer	1.9278	51.8726	
	Median	1.9326	51.7437	+0.80
November 16	Bid	1.9297	51.8215	
	Offer	1.9201	52.0806	
	Median	1.9249	51.9507	+1.00
November 19	Bid	1.9105	52.3423	
	Offer	1.9009	52.6066	
	Median	1.9057	52.4741	+1.01
November 21	Bid	1.9200	52.0833	
	Offer	1.9104	52.3450	
	Median	1.9152	52.2138	−0.50
November 25	Bid	1.9142	52.2411	
	Offer	1.9046	52.5044	
	Median	1.9094	52.3724	+0.30
November 26	Bid	1.9026	52.5596	
	Offer	1.8932	52.8206	
	Median	1.8979	52.6898	+0.61
December 10	Bid	1.8912	52.8764	
	Offer	1.8818	53.1406	
	Median	1.8866	53.0054	+0.60
December 18	Bid	1.8629	53.6797	
	Offer	1.8537	53.9461	
	Median	1.8583	53.8126	+1.01
December 20	Bid	1.8723	53.4102	
	Offer	1.8629	53.6797	
	Median	1.8676	53.5446	−0.50
December 30	Bid	1.8591	53.7894	
	Offer	1.8499	54.0569	
	Median	1.8545	53.9228	+0.89
December 31	Bid	1.8443	54.2211	
	Offer	1.8351	54.4929	
	Median	1.8397	54.3566	+0.81
January 3	Bid	1.8498	54.0598	
	Offer	1.8406	54.3301	
	Median	1.8452	54.1946	−0.30
January 4	Bid	1.8406	54.3301	
	Offer	1.8314	54.6030	
	Median	1.8560	54.4662	+0.50
January 7	Bid	1.8242	54.8185	
	Offer	1.8150	55.0964	
	Median	1.8196	54.9571	+0.90
January 15	Bid	1.8332	54.5494	
	Offer	1.8240	54.8245	
	Median	1.8286	54.6866	−0.48
January 22	Bid	1.8167	55.0448	
	Offer	1.8077	55.3189	
	Median	1.8122	55.1815	+0.90
January 23	Bid	1.8076	55.3219	
	Offer	1.7986	55.5987	
	Median	1.8031	55.4600	+0.50
January 24	Bid	1.7986	55.5987	
	Offer	1.7896	55.8784	
	Median	1.7941	55.7382	+0.50
January 25	Bid	1.7896	55.8784	
	Offer	1.7806	56.1608	
	Median	1.7851	56.0192	+0.50
January 28	Bid	1.7716	56.4461	
	Offer	1.7628	56.7279	
	Median	1.7672	56.5866	+1.01
January 29	Bid	1.7787	56.2208	
	Offer	1.7699	56.5003	
	Median	1.7743	56.3602	−0.40
January 30	Bid	1.8001	55.5524	
	Offer	1.7911	55.8316	
	Median	1.7956	55.6916	−1.20

Source: NCUSCT based on data supplied by the Chartered Bank

SECTORAL REPORT

FOODSTUFFS FROM CHINA

Suzanne R. Reynolds

Our contribution to solving the world food problem is yet very small. It is our hope that, along with the development of our industry and agriculture, we shall be able gradually to change this state of affairs . . . We hold that, as food is man's basic means of subsistence, the people of all countries are entitled to an adequate food supply, and no country may use food as a means of interference, domination and plunder against other countries.

Hao Chung-shih, Vice Minister of Agriculture and Forestry of the People's Republic of China, at the UN World Food Conference, Rome, November 7, 1974

Food is China's leading preoccupation. Not surprisingly a great deal of China's foreign trade comprises foodstuffs: in 1973 this category accounted for a fifth of her imports and a third of her exports. The proportion of foodstuffs in China's total sales overseas has been rising. So far as the US is concerned, the impact of Chinese foodstuffs has been small as yet, but the potential for these products on the US market is good, provided they attain market acceptance, and assuming, as Chinese officials have stated, that there is real Chinese interest in introducing the PRC's products and labels to "the broad masses in the US" (*UCBR* Vol. 1, No. 6, p. 37).

China's foodstuff exports are handled by two of the PRC's foreign trade corporations, namely the China National Cereals, Oils, and Foodstuffs Import and Export Corporation, abbreviated in this report as Ceroils, and the China Native Produce and Animal By-products Import and Export Corporation, known simply as Native Produce. Nearly all foods mentioned can be purchased from Ceroils, except for tea and spices which are the responsibility of Native Produce.

Between them, these two corporations sell an almost overwhelming range of food products. At the biannual Kwangchow Fair, some two thousand food items are regularly displayed, and this does not include all the foodstuffs China has to sell, said to number four thousand in all. By-and-large, the quality of China's food products is considered excellent by US firms that have already sampled them.

The problems US importers and Chinese sellers face in importing, distributing, and promoting China's food products in the US are substantial. The sheer size of the US food and beverage market and the regulations pertaining to it are enough to bewilder anyone, buyer or seller. Part of this sectoral report is given to putting these matters in perspective. The major part of what follows, however, concerns the practical situation as it now exists: for each type of food, canned, frozen, and dry, the problems and opportunities are different.

The growth of foodstuffs imports from China will depend on many factors including China's increased agricultural production, her adaptation of foods to US consumer tastes, improved packaging and presentation, compliance with US Government requirements, directing shipment between the US and China, lower US tariffs, and an understanding of the US market and its needs. The following report sets out to explore how these questions may be resolved for the benefit of all concerned.

CANNED GOODS

A wag once described Americans as people who eat what they can and can what they can't. In China, if they don't can the surplus, they certainly can plenty. The People's Republic is thought by some to offer the greatest variety of canned food products of any country in the world. For China the canning process is an important part of exporting. Not only does canning increase the range of food items for export, but it also represents value added on Chinese soil, thus increasing the return on an intensively cultivated agriculture. There are, at present, over one hundred factories throughout China producing more than 400 varieties of canned foods and selling to nearly 100 countries and regions.

While the variety of canned food products is broad and fascinating, problems of high US duty rates, limited quantities, US consumer protection regulations, and Chinese standards must be overcome if canned goods from the PRC are to gain major acceptance in the US. Perhaps the most important step to be taken is the large scale promotion of those products with greatest potential in the American market, a step requiring careful study and preparation.

Each of the eight branches of Ceroils, China's main foreign trade corporation handling foodstuffs, produces a range of canned goods including meats, fish, fruits, vegetables, confections, nuts, juices and ready-to-fix Chinese meals. In each case, products are sold under one or two brand names associated with the branch. For example, in Shanghai the brand name is *Maling*, for Fukien *Narcissus*, for Kwangtung *Heaven Temple* and *Pearl River*, for Dairen *Hung Mei*, for Tientsin *Great Wall* and for Shantung *Flying Wheel*.

The US could certainly extend the traditional bounds of its palate through such imports as Chinese canned Loquats in Light Syrup, Pickled Lettuce, Coconut Jam, Carambola in Syrup, Rose Taste Salted Turnips, Golden Carp with Scallions, Delicious Spiced Goose Gizzard and Mixed Ginger (mixed vegetables with ginger). These more exotic items, among the thousands available from the PRC, indicate, if nothing else, that the range of choice to a discerning chef is now much greater than before.

Phyllis Richman, in the *Washington Post*, January 2, 1975, wrote: "Remote as international politics may seem from the grocery store, its effects often have an important bearing on what is sold there. In the last few years the markets of Chinatown have had new life breathed into them as increased trade with . . . China has brought to their shelves foods previously familiar to Washington's old Chinatown hands . . . with the growing mainland trade, soy sauce has taken on new hues and flavors. The shopper finds not only a choice of brands, but also black or yellow, light or dark, mushroom- or shrimp-flavored soy sauces. Even vinegars come black or sweet, as well as in the more standard styles."

The majority of US vegetable and fruit imports

THE US FOODSTUFFS MARKET—VAST AND COMPLEX

What is the market the Chinese foodstuffs exporters face in the US?

To say it is the world's largest and most complex is an understatement. In 1974 some $191 billion was spent by Americans on food and beverages according to latest Commerce Department estimates (SCB 54.11), which is more than the entire estimated Chinese gross national product.

The same estimates indicate that, proportionally, US consumption of food compared to that in China also contrasts. About 13.5 percent of the US GNP was spent on foodstuffs and drink in 1974, or 21.2 percent of US personal consumption expenditure (PCE). While China does not publish similar figures, it is estimated that 30-40 percent of Chinese personal income is spent on food in rural areas, where the bulk—85 percent of the Chinese population live.

The share of imported food and beverages in the US market is small—about 5 percent. But, in dollar figures, imports of these products are substantial: In 1973, over $8 billion worth of foreign food and drink was brought into the US, thus representing a colossal market in itself.

In 1973, foodstuffs and beverages imported from the PRC were a very small proportion of the total import market in these products. At $6.6 million, Chinese items represented only 0.08% of US imported foodstuffs. Clearly, it may be some time before imports from the People's Republic begin making even a minor impact on the grocery shelves of US stores.

Retailing

How many stores and shelves are there in the US for China to make an impact on?

In 1973 stores that sold food and drink accounted for the largest single type of retail business in the US, representing 28.5 percent of all sales in the retail trade. In that year food stores did $105.7 billion worth of business. Most of that was accounted for by grocery stores ($98.4 billion or 93 percent) and the majority ($55.2 billion or 52 percent) by chain stores of eleven units or more, this latter category slowly rising in importance.

While there are no available figures for the number of food stores for 1973, earlier surveys indicate that there are probably well over a quarter-of-a million in number. A 1967 Commerce Department report lists 294,000 food stores, 44 percent of which were owner-operated, 348,000 eating and drinking places, and 40,000 liquor stores. The number of food stores has been steadily falling.

In addition, department stores counted on food for about four percent of their sales in that year.

Food sales, as in all retail categories, vary from region to region and state to state. The heaviest concentrations of retail sales are in California, followed by New York, Illinois, Pennsylvania, Ohio, Texas, and Michigan, peaking in the major cities in each state.

Foodstuffs Promotion

A colossal amount is spent in the US each year on foodstuffs promotion. According to the US Treasury Department, US food and beverage manufacturers spent $2.3 billion on advertising in 1970, equivalent to 2.3 percent of their sales. Food retailers spent another $0.7 billion on advertising in the same year, or one percent of their food sales.

Generally newspapers are the most used to promote retail sales. A 1973 McCann-Erickson survey showed that newspapers accounted for 31 percent of retail advertising in the US, followed by television (18 percent), direct mail (14 percent), radio (7 percent), and magazines (6 percent).

from China have been in canned form: foods such as mandarin oranges, loquats, lichees, canned fish, water chestnuts and other oriental foodstuffs have been among the largest purchases. But, although canned foods from the PRC are being bought in the US, the quantities are small, and distribution is very limited.

One of the major reasons for the small number of imports is, of course, the high, Column II duty rates of, typically, 35-40% plus 10 cents per pound compared with Column I rates of 10-25% plus 5 cents a pound. There are other difficulties too, which tend to confine some imports to trial samples or small quantities. One such "barrier" is that affecting low-acid foods, details of which are given in the accompanying box.

Supplies and Standards

With growing domestic demand, an increasing foreign market, and the unavoidable vicissitudes of nature, China has not always been able to supply the foreign importer with the quantities required in certain products. A large importer who recently tried to place orders for thirty-five different canned items at the Kwangchow Fair was able to obtain only four. Some importers complain that it is hardly worth the trip to Kwangchow or the time involved in setting up appointments, if they will only be able to purchase a small amount. In fact, some importers familiar with Chinese products have had more luck ordering via cable for future shipment. With limited stocks, China may want to consider concentrating on the production of those items most in demand.

Many US importers, especially those buying specialty foods, have also complained that they are unable to sell and make a profit from canned goods because there are too many importers buying and selling the same item in the same areas. They have, therefore, suggested that China appoint exclusive US distributors for certain foods either on a product or geographic basis.

Those who have tasted Chinese canned foods (the author included) have been favorably impressed with their appearance, in gold-lined tins, and especially their flavor. Particularly tasty were the Chinese fruits, juices and pork luncheon meat.

US industry studies on Chinese cans and canning, however, have not been as favorable. Recent studies have compared Chinese foods with similar US products, and have tested against acceptance levels of the average US consumer. Samples were taken of foods with potential market in the US.

In these studies, the cans themselves received a fairly good rating; many of the types of can were found to be similar in structure to the cans manufactured in the US. Comments were that the double-seam structure of the Chinese cans, though satisfactory, could be tighter, the paper labels, which were wrapped tightly around the cans, could be glued to the cans to prevent loss during handling, label designs and quality of printing could be improved and some brand names may need to be modified.

The insides of the cans varied—although some cans had coatings, not all did. Coatings are especially important to preserve the freshness and color of high-acid foods and are essential in packing low-acid foods. The contents of many of the cans were found to be much less consistent than those of corresponding American items. For example, carrots were unevenly sliced and mixed vegetables ranged from bite size to well over a bite. The amount of fluid in each of the cans of the same brand also varied.

In general, the tinned meat, poultry and fish products were said to be unacceptable to the average American consumer because of overcooking, dark color, the appearance of fat and the aroma of cooked oil. Some fruit and vegetable products were rated fair to poor, mostly because of texture, color and aroma due to overcooking.

One product received a good rating: Whole milk powder. If the package were modified, reports were that it could have good market acceptance in the US. (Milk products, however, may have difficulty entering the US because of quotas on milk and complex FDA regulations.)

As there is demand for certain types of canned goods, large US food processors have offered to work with Chinese producers to expand their exports to the US. Those companies feel that China's product lines must be modified to be acceptable not only in the US but also in other world markets.

To say that importers would be willing to offer assistance does not imply that China has not been constantly improving her canned foods. On the contrary, certain foodstuffs have in recent years been altered by the Chinese to meet the tastes of various foreign markets and to comply with foreign import demands.

China has recently purchased canning machinery from Japan's Toyo Canning and, reportedly, from a Swedish firm, and may be in the market for more. Many foreign firms have in the past year displayed canning and packaging equipment in Peking. Japan held a food processing and packaging exhibit last November in Peking, and a packing exhibit in Tientsin.

Promotion in the US

Chinese canned foodstuffs have gone to specialty sections of supermarkets, to gourmet groceries, to restaurants, and to large food companies who reprocess the food. Sales should gradually increase as products become more familiar to US consumers.

Although China is eager to see its brand names become known worldwide, it may be some time before her products are seen on general food shelves in large supermarkets. Sales to supermarkets and smaller grocery stores may meet resistance because most stores in the US carry relatively few brands of the same item. Of the brands they do carry, one may be their own and the others may be the three or four best selling brands. Before these brands are given a permanent place on a supermarket shelf they are tested by a computer to determine potential rate of turnover. Therefore, with few brands, which he knows sell well, the grocer may not want to take on another, unproven product.

A new foreign product travels a sometimes difficult road to market acceptance in the United States, and goods from China will be no exception. New products are brought to a large food store by a sales representative from a foreign company or by an importer's sales representative or broker, to be quality tested. As related by one large food chain, a given item, which must be in saleable form when it arrives, is sent to a lab where a Director of Quality Control puts it through various tests. If necessary, it may be sent out to be tested. Sometimes it is tested together with other brands as "Brand A" in relation to Brands B and C. In this case the buying staff samples all and decides which brand is best.

Although Chinese specialty items or products peculiar to China such as lichees, loquats, bamboo shoots, mandarin oranges, many do well under Chinese labels, it is doubtful whether the average American householder will choose staple items such as peas and beans produced in China over well known US brands. Educating the consumer in this area will be a formidable task due to consumer awareness of US product standards and uncertainty of foreign brands. There may also be a reluctance among more conservative store buyers to introduce foodstuffs from a socialist nation.

Knowing the recognition problems Chinese products will have under Chinese brand names, US food processors have offered to market Chinese canned foods throughout the US and the world under their own label through their existing distribution network. These companies would purchase

LOW-ACID FOODS AND CHINA

Chinese low-acid canned foods, such as green beans, mushrooms, and bamboo shoots—may not legally enter the US unless their manufacturer has received a registration number from the US Food and Drug Administration (FDA) under regulations effective in 1974. China has already taken some initiative in registering, indicating a serious interest in marketing its canned products in the US. The Fukien Branch of Ceroils has applied for, and received, a registration number from the FDA, for its *Narcissus* Brand canned goods. To insure an increase in the exports of Chinese canned goods to the US, it would clearly be useful for the other branches of Ceroils to apply for further registration numbers.

Numbers are issued when the process by which the food is canned has been made known to the FDA. The process must conform to the criteria set forth in 21 *CFR* (*Code of Federal Regulations*) Sections 128b.3 through 128b.10 which determine "whether the facilities, methods, practices and controls used by the commercial processor in the manufacturer, processing, or packing of low-acid foods in hermetically sealed containers are operated or administered in a manner adequate to protect the public health."

Low-acid foods are foods which have a Ph of 4.6 or greater and are thermally processed and packed in hermetically sealed containers. The thermal process to which low-acid foods must be subjected kills the bacteria Clostridium Botulinum, the organism responsible for a fatal type of food poisoning. Foods definitely exempt from this category are citrus fruits and some tomato products.

The law requiring registration of low-acid food applies to domestic as well as foreign manufacturers. In the US, registration application forms issued by the FDA must be completed and signed by the responsible person in that plant stating, among other things, that persons who are supervisors of retort operators and supervisors of closure-machine operators have attended a school for processing low-acid foods approved by the FDA.

In the case of foreign processors, the plant's responsible person must fill out and sign the application form which consists of questions relating to processing methods. The FDA will accept the word of a foreign government that whatever training the processors have received is equivalent to that given in the US. The training requirement is an attempt to guarantee a certain amount of expertise on the part of food processors. Registration numbers, which are extended to a plant after its application form has been reviewed and accepted, had already been assigned to 1,500 foreign processors as of the end of 1974.

As stated in 21 *CFR* part 90, each plant which processes low-acid foods must be registered, their process filed with FDA, and their locations noted. The importance of the requirement that each processing plant be registered is highlighted by two recent cases of botulism, in mushrooms and soup, in which the location of the processing plants were not recorded.

Even after a processing plant receives a registration number, its products must still conform to the provisions of the Customs Law as stated in the FDA and the Fair Packaging and Labeling Act. When the registration regulations were first introduced, FDA inspectors at ports were not overly harsh in requiring that the canned goods have registration numbers and, consequently, a certain quantity of unregistered goods "slipped" in. Henceforth, however, all future products will be carefully screened.

Importers must be careful to specify that the correct registration number appear on the invoice or shipping manifest. FDA does not require the inclusion of registration numbers on the label, container or carton.

Questions on low-acid foods should be referred to:

Industry Guidance Branch
Division of Industry Programs
Bureau of Foods
U.S. Food and Drug Administration
200 C Street, S.W.
Washington, D.C. 20204

If further explanation is needed concerning any of the FDA regulations, the Office of International Affairs at FDA has offered, in cooperation with the National Council, to set up seminars for importers of low-acid foodstuffs from China. The Council has already used its good offices with the FDA on behalf of such importers who were experiencing difficulty with respect to the low-acid food regulations.

their labels from China and indicate, on each label, that the particular food is a product of the People's Republic of China. Selling Chinese products under familiar labels may help to acquaint the consumer with food from China and dispel fears about the quality of Chinese canned foods. Once introduced in this form, later sales of Chinese products under Chinese brand names are likely to find a better market.

In expanding sales of food products to the American market, the size of the can assumes importance. For instance, China could increase sales to US institutional markets by producing more goods in the larger Number 10 can. At present, few Chinese items are sold in the US in large cans: many are packed in Number 2 or 2½ ounce cans.

Best Bets in Chinese Canned Foods

Most importers of PRC foodstuffs will attest to the fine quality of Maling Mandarin Oranges. Being a citrus fruit, they are exempt from the low-acid food regulations. Their quality is good and there seems to be uniformity of preparation, processing and packaging. The oranges are now being imported into New York, Oregon, Iowa and Washington State and are being sold in these states and in others.

Mushrooms will have a large market in the US once the processor has been registered and the duty lowered. There should also, at that time, be a good market for canned beans, waterchestnuts, and bamboo shoots. Canned apples, once the price has been lowered, could be a good seller as they are now beautifully prepared and are also available in institutional cans.

Because of a shortage in Hawaii, canned pineapples are now in demand, especially in institutional size cans. In addition, many importers would like to be able to buy canned ready-to-fix foods but, because red meats cannot yet come into the US from China, these imports will not be possible for a while.

FROZEN FOODS—A BOUNTIFUL CATEGORY

Frozen foodstuffs is a bountiful category. China's Ceroils offers a cornucopia of frozen meat, fish, vegetables, fruit and game for sale abroad, a fair sampling of which has already entered the US. The potential for frozen foods from the PRC is excellent. But, to realize this potential, improvements in preparation and freezing methods, shipping time, and other areas would be mutually beneficial.

Among the frozen meats available from China are pork, beef, mutton, and frozen goat—with or without skin. One of the most popular meat buys in Europe, and the only meat product that has been allowed into the US so far is frozen rabbit meat. (See *UCBR*, Vol. 1, No. 2, pp. 48-49). These are now available in attractive packages of rabbit portions. Ceroils also offers frozen chicken, duck, goose and pigeon. One of Ceroils' frozen poultry catalogues even includes a few famous recipes for these products.

Roasted Peking Duck and Deep Frozen Rabbit Portions in attractive cartons, on show at the Fall 1974 Kwangchow Fair.

In the frozen aquatic product category are prawns, clams, crab, Spanish mackerel, Chinese herring, as well as shark, eel, globe fish, octopus, mudsnails, carp and sea cucumber—which would challenge any gourmet's palate.

Vegetables and rabbit imports from China have steadily increased and, as of September 1974, have nearly doubled over 1973 figures. Frozen vegetable imports could increase further as China perfects her freezing methods.

Game products, as presently offered, tend to lack appeal. Old Father William of *Alice in Wonderland* fame may have swallowed everything, including the bones and the beak, but, when, in the case of Chinese fowl, the whole bird, feathers and all, is frozen, USDA inspectors are not likely to be so lenient. If more thoroughly cleaned and prepared, game could have a good gourmet market in the US as Ceroils does have a large selection ranging from pheasant, partridge, chukars, grouse, wild pigeon to roe deer, antelope, blue sheep and wild boar.

Frozen fruit from China is said to be very good but in the case of mandarin oranges, the whole orange is frozen with the skin still on.

China still uses the older process of blast freezing (or freezing by refrigeration) rather than the newer IQF or nitrogen tunnel process commonly used in the US. The blast freezing process tends to give the frozen foods a frosted look which lacks appeal. Large buyers of frozen vegetables would like to be able to ship samples of the vegetables to the US, but, as vegetables usually thaw within three days, it would be risky to have shipments sent which must be transshipped.

Frozen Shrimp

Between September 3 and September 27 last year, 8,658 cartons of shrimp worth $399,498 were detained by the FDA because they were decomposed (HEW CID 74-9). The total amount detained in 1974 was much greater. Most of these shrimp were Billows Brand, a second-grade but still quality shrimp. There have been fewer problems with the first grade Sea Swallow brand. It should be noted that Chinese shrimp is not the only kind that has been detained—varieties from Indonesia, Thailand, Japan, Hong Kong and many other countries have also been held by the FDA.

For a year and a half frozen shrimp—including Billow Brand—have been entering the US with no problem. Importers were very pleased with these shrimp which were of "superb quality," large, white, beautifully graded, and layer packed. Suddenly, from mid-1974, several shipments were detained by the FDA. The reason given was that the shrimps were decomposed.

Before the shrimp leaves China, it is inspected by the China Commodities Inspection Bureau, which ensures that the shrimp has met the quality and weight specifications of the contract. It does not issue a formal guarantee that the goods will meet the inspection standards of other countries. If it is shipped CIF, the People's Insurance Company, which functions like a Western insurance company, will insure against natural calamities and accidents, though it will not cover strikes, riots, delay in transit or rejection of cargo by the importer's government for reasons of unacceptable quality.

Until rejections began to increase, importers were able to obtain "rejection insurance" coverage for FDA detention from US insurance companies. Now, however, these insurance firms are less willing to insure frozen shrimp from China and, without such insurance, it is doubtful that importers will order more shrimp. China, for its part, will neither insure against FDA rejection nor, at time of writing, has it agreed to full compensation for rejections that have occurred. Negotiations between importers and Ceroils are continuing—US representatives were meeting with Ceroils in China as of late January.*

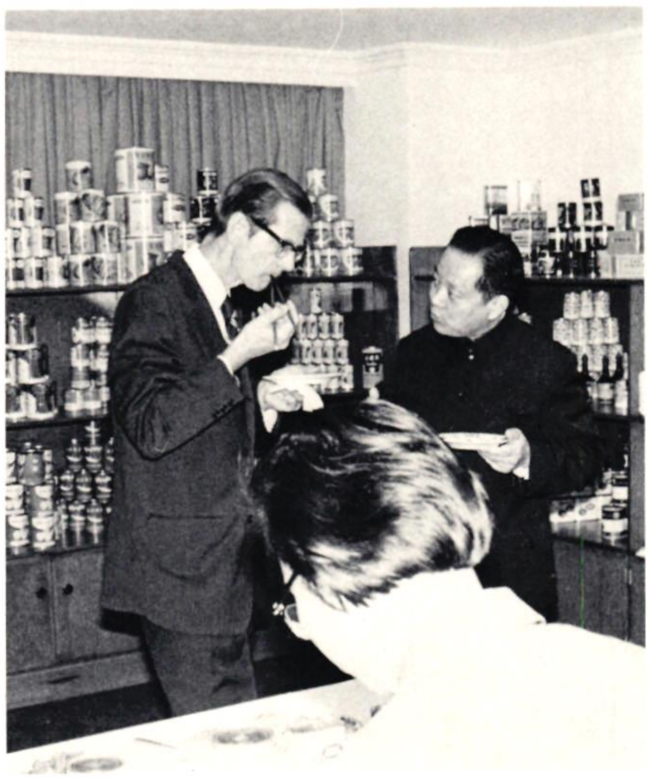
The shrimp has been destroyed or auctioned off by an insurance company to European and Japanese companies. In addition, shrimp importers should keep watch on recently introduced US legislative proposals on shrimp concerning country of origin markings, import of ectoparasites, and the possible establishment of quantitative quotas on shrimp. This legislation, S. 3887, S. 3987 and H.R. 16315, introduced into the Senate and House on August 7 and September 11, 1974, may be reintroduced in the 94th Congress.

**Shrimp problem was resolved amicably in early February 1975.*

Exchange of Delegations

As the FDA does not publish standards for preparation and processing but only general guidelines, it has often sent technologists to countries whose products have been detained to advise processors of the best means of processing goods destined for the US market. National Council representatives in China, in November 1974, suggested a mission to China by representatives of major US firms in the business might visit factories, discuss shrimp processing procedures, and explain FDA standards to shrimp producers. It might be possible to include FDA personnel on such a mission. American frozen food companies would also welcome a visit by Chinese frozen food processors to the US to observe shrimp producing plants and to study processing techniques.

If such exchanges are not possible, China might consider the possibility of issuing some sort of



Foodstuffs from China—Against a backdrop of canned and packaged foods from the PRC showcased at the Chinese Liaison Office, Christopher H. Phillips, President of the National Council and Huang Wen-chun, First Secretary of the Commercial Section, sample Chinese delicacies. In the foreground is Mrs. Liu.

rejection insurance or establishing an Inspection Program in cooperation with frozen food importers which would inspect the product on the basis of FDA standards before it leaves China.

Although exports of frozen foods to the US are small compared to exports to Europe and Japan, there is a tremendous potential for Chinese frozen foods in the US as long as importers are assured that shipments will not be detained. At present it is a risk to buy an item which sells at the market price, if it is likely to be rejected by the FDA.

DRY FOODSTUFFS—SUPERIOR PREPARATION, SPAGHETTI SEMANTICS

Dry foodstuffs from the PRC include the items most likely to be on your kitchen shelf already—namely spices, especially cinnamon. But a range of dried meats, vegetables, fish and fruit, as well as noodles and traditional ingredients of Chinese-style meals, is also available. For some of the dried foodstuffs there is the continuing question of fluctuating commodity prices depending on worldwide demand—and, in cases where China is the leading producer, unilateral price changes leading the market, which ruffles importers at times.

Most dried foods imported—meats, vegetables, fish and fruit—are shipped in bulk, then repacked in the US and distributed to Chinese grocery stores and other specialty shops. By repackaging the goods the importer is able to pack for both consumer and for FDA acceptance.

US importers have been, by and large, very pleased with dried food imports from the PRC. In fact, Chinese preparation for most dried foods has been found to be far superior to the same goods processed in other countries. In contrast with some Chinese canned goods, dried foods are more uniformly packed and consistent in size and quality.

Ironically, among the dried foods, noodles, which China gave the world, is focus of a semantic pasta in the US. Noodles, as defined in today's America, are no longer the noodles of the China of yore, but a newer, Westernized version.

As noodles—or macaroni—in the US are defined as a product made from "semolina, durum flour, farina, flour and/or a combination of two or more of these," plus eggs, any product labeled as noodles but not conforming to these ingredients may not lawfully be called noodles, according to the FDA. Thus, when packages of dried noodles made from pure rice or wheat dough without eggs have come from China and are labeled as "noodles," they have been rejected by the FDA because their ingredients do not conform to the FDA definition of noodle ingredients. They, in fact, are closer to the FDA definition of spaghetti, which is, basically, noodles without eggs.

To pass FDA regulations, China could label her noodles, as other countries do, "imitation noodles." But the PRC, with reason, is not willing to label her unadulterated noodles as imitation. Another option would be for the importer to suggest a label such as "Chinese noodles" or any other title which would define the product yet would be unique enough not to misrepresent another product or deceive the consumer.

Spices, which are sold by China National Native Produce Import and Export Corporation, are bought in bulk by importers and are eventually sold by them, usually through brokers, to spice manufacturers, institutions, bakeries, or to other good processing companies. As with tea, most spices are not subject to duty. These come under the title of "complementary commodities" because they are not grown in the US. These spices include anise, ginger root, and cassia. Perhaps as a result of the lack of duty on these commodities and rising world demand, spices have become one of the largest single foodstuff export items from China in the US, with cassia lignea (cinnamon) well in the lead.

Peking could do very well in this area, since the US is the largest importer and consumer of spices in the world, and the market continues to expand. From 1960 to 1973, total US spice imports have doubled in quantity and value, rising from 115 million pounds worth $55 million in 1960 to 249 million pounds valued at a record $101 million in 1973. The expanding demand for spices in the US has been due to higher income levels, increasing population, a growing demand for "convenience foods" and the increasing popularity of diet foods which need spices to make them more palatable.

Although retail sales of spices for home use normally account for about half of total US consumption, industry usage (food manufacturers and institutions) has been increasing while the retail or consumer share has declined.

Of thirty-eight different species imported into the US, cassia, which is a type of bark, is the fourth largest, representing 7.2% of the dollar total in 1973. Most cassia comes from Indonesia, the world's largest producer. There was, however, a sharp falloff in Indonesia's production in the late 1960s resulting in higher prices. Although by the early 1970s production had improved, China had by then opened to the US. The PRC, the world's second largest producer of cassia, was selling this spice at a lower price than that from Indonesia.

Will China buy agricultural equipment from the US? The first stop on the first trip round the US by His Excellency Huang Chen, Chief of the Liaison Office of the People's Republic of China, Washington, D.C., hosted by the National Council, was at the headquarters of International Harvester in Chicago. In this picture Chief Executive Officer of IH, Brooks McCormick, and Huang Chen talk at a reception held for the Chinese Ambassador.

In line with the low supply-high demand situation, China had been gradually increasing the price of cassia, from the second half of the 1960s, even withholding it at times. By June 1971 and 1972 trade in this commodity was in a semi-boom condition. But US imports declined in 1974 for several reasons, including price hikes over the Indonesian level and erratic supply. (Continuous supply is necessary so that grinders can plan their formulae in producing cinnamon.) An additional problem, which had arisen earlier, was that the rattan-straps on press-packed bales of whole cassia tended to mix with the cassia. Also, Whole cassia often arrived broken which made reexports to countries preferring Whole cassia (over Broken cassia) difficult.

Most buyers in early 1974 expected the Chinese to hold their price and wait for the market to come up to their level. China, however, suddenly dropped its price by 25% in the Spring of 1974, adding to the general apathetic condition of the cassia market by that time. Those already holding stocks of cassia were hard hit and were forced to cut their inventories. Cassia which had been bought at $1.30 a pound was now worth probably less than 75¢. China could not have picked a worse time to drop its prices, especially when the RMB was revaluing against other currencies.

Chinese cassia is cleaner and better prepared than that found in Indonesia. With the world demand likely to be increasing over the long run, China could do very well, especially in sales to the US. In 1973 US imports of cassia spice from China were equivalent to only 16% of the amount imported from Indonesia, (USDA, Foreign Agricultural Circular, April 1974). This low share level could continue because of China's present pricing structure, marketing customs and inconsistent supply.

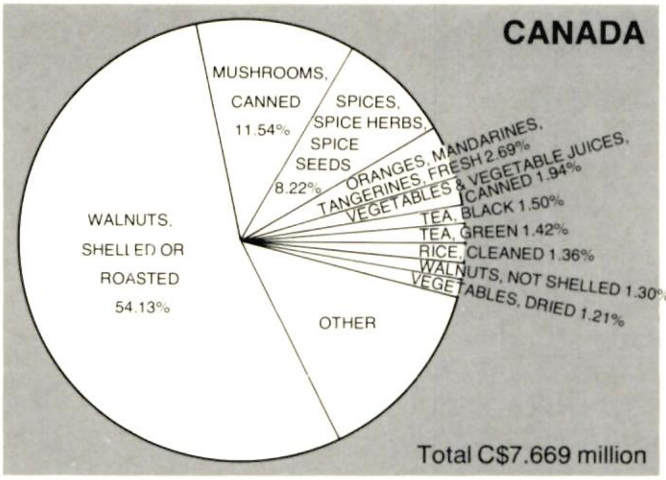
Some importers feel, particularly in areas in which the PRC is the sole major supplier, that she should be aware of the supply-demand situation, take market needs into consideration, and sell where demand is highest. China prefers to sell goods in allotments or to sell more to special "friends." In the days when cassia was a very profitable item, those who bought could resell where allotments were insufficient. If China had sold directly to markets with the largest demand, it could have absorbed those profits instead. Future buyers of cassia are now waiting for China to readapt to the market and assure frightened buyers that there will be no drastic price changes outside the market trends.

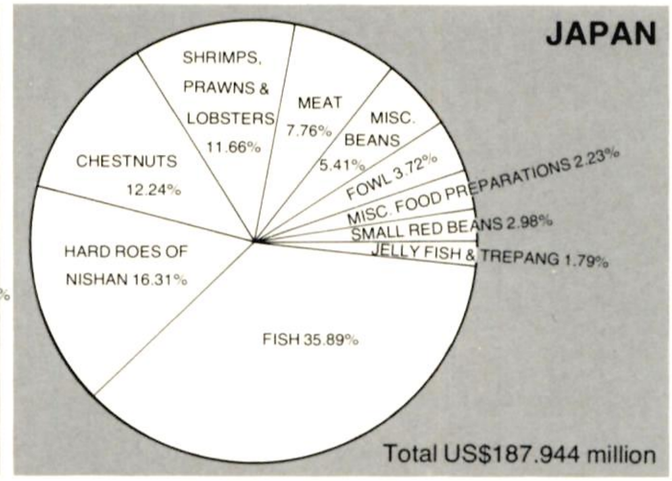
Among the other spices imported from China are coriander, cummin, ginger root, pepper, celery seeds, fennel seeds, dill seeds, turmeric and chillies. As with cassia, prices for these spices have been increasing but there have not been any drastic hikes or cuts. Buyers are pleased with the quality of these spices, although there have been some problems with mold accumulating during shipping and, at times, with insecticides and bacteria. Detentions, however, have not been high. Spices entering the US are not only subject to FDA regulations but must also conform to the standards of the American Spice Trade Association. If China, however, wishes to improve her exports and world position, she must ensure continuity of supply, and realistic pricing and marketing structures.

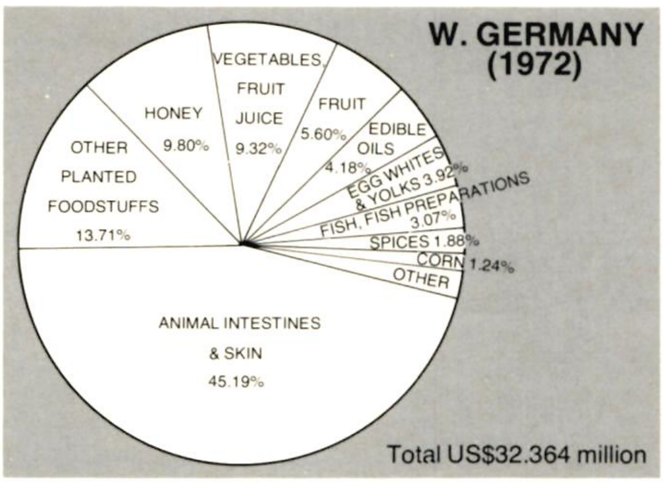
CHINA'S FOODSTUFFS TRADE 1973

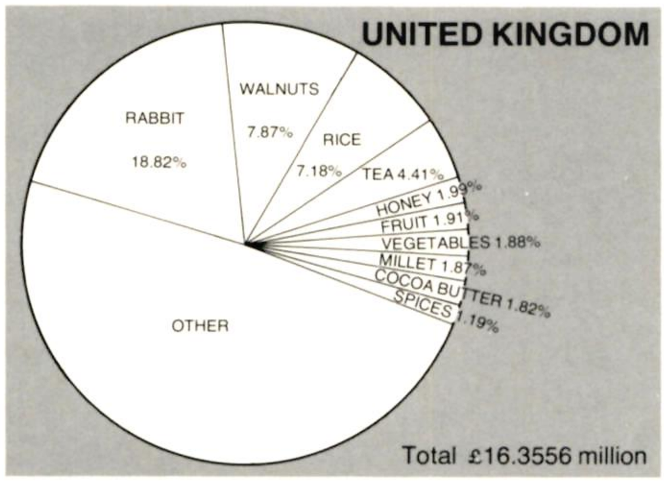
Foodstuffs represented 33% of China's exports and 20% of imports in 1973

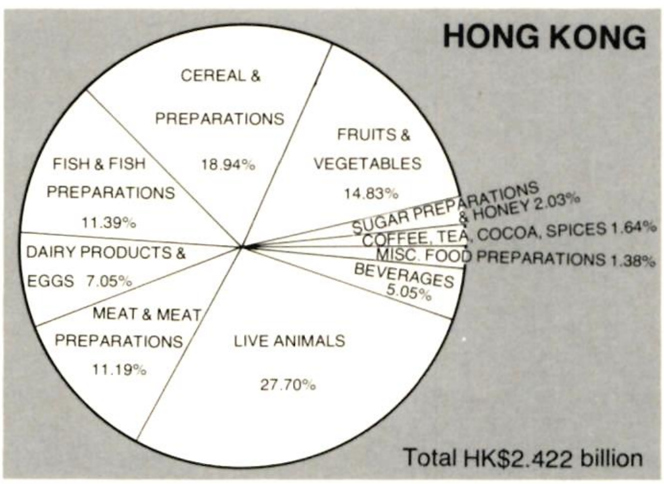
IMPORTS OF CHINESE FOOD 1973

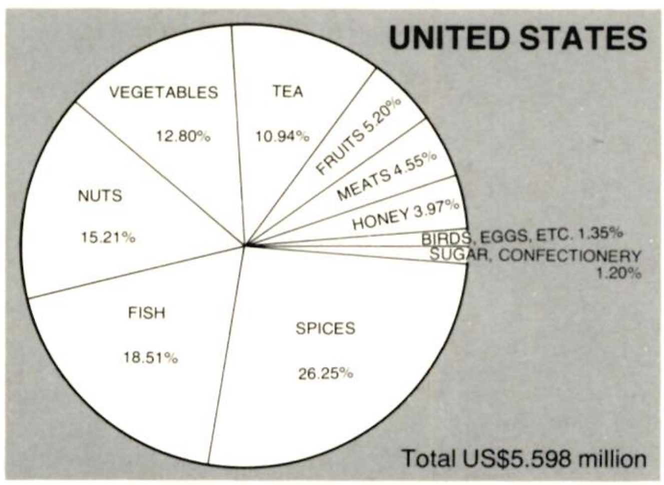












Sources: Trade of Canada, Imports by Country, Statistics Canada Catalogue 65-006; Sino-British Trade Review, Supplement No. 113; Customs Clearance Statistics of the Ministry of Finance, Japan; Census and Statistics Department, Hong Kong; U.S. Department of Commerce; German Government. Compiled by Caroline Hirschfield and Sally Winder.

Frustrated Importers

Frustrated American importers sometimes have the feeling that China is not interested in selling to the US, though this is not in fact the case. The importers could be right as the US is only one very difficult market among 137 others with less stringent import requirements, to which China sells. Of all the countries in the world, the US has always had a reputation for being exceptionally strict in its sanitation and health standards for food products, whether imported or domestically produced. Foods occasionally tend to be purified to the extent of destroying natural textures, colors and flavor.

In selling to the US, other countries must produce products which are specially processed, labeled and packaged, usually meaning a separate line of goods geared especially to the US market. The creation of special products for the US may seem hardly worth the trouble if low sales seem likely. But the potential for high sales certainly exists, if ways can be found to move the products.

Marking and Labeling

Over the past year, as both importers and Chinese sellers have become more familiar with FDA regulations, labels on Chinese foods have improved. It is now much less frequent that importers have to add extra labels stating weight in pounds, ingredients or country of origin.

Importers, when buying any Chinese foods, should ask for a sample of the label to be used on the product and have it checked and approved by the FDA before starting imports. If possible, importers should also try to have samples of products sent to make sure they are acceptable to the FDA and to their firms, clients or brokers.

In addition, some products have brand names or names which may not appeal to the average householder. China has insisted on using its own brand names but, in limited cases, has been willing to let the importer suggest names which are still Chinese but would appeal to US consumers. Great Wall Vodka is an example of one brand name being substituted for a more appealing title.

JAPANESE PACKAGING EQUIPMENT SHOWN IN CHINA

A Japanese Printing and Packing Machinery Exhibition was held in Tientsin last November 1974. Among the machinery displayed were food packing machines manufactured by companies such as Kawashima and Okkpomori. All machines were demonstrated at the show and offered for sale when the show ended. Although no figures have yet been released, it is almost certain that sales were made. The exhibition itself is a good indication that the Chinese are interested in purchasing food packing and packaging equipment.

Prior to the exhibition, the Japanese International Trade Promotion Association publication, *Japanese Industrial Technology* came out with a special issue on Japanese Printing and Packing Machinery and Technology. The machines described below were displayed and demonstrated in Tientsin.

Japanese Packaging Machines Exhibited In Tientsin November 1974

Model KBF-10 *Standing Automatic Bag-Filling Packing Machine*
Manufactured by Kawashima of Japan

Descriptions:
Packing speed: 55-70 bags per minute
Bag size: 90-200 mm (W) 100-300 mm (L)
Operative power:
Generator: 3 phases 200 V. 750 W (1 hp)
Others: approximately 1500 W.
Pressure: 3 phases 220 v. 2200-3750 W. (3-5 hp)
Size: 940 (W) 4600 (L) 2370 (T) mm
Weight: approximately 1300 kg.
May take various length and width bags by interchanging machine parts.

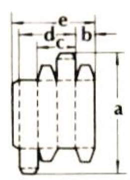
Model 601 *Automatic Vacuum Packing Machine*
Manufactured by Okkpomori of Japan

Descriptions:
Packing speed: 60-120 bags per minute
Bag size: largest 315 mm × 220 mm × 70 mm
smallest 70 mm × 75 mm × 5 mm
Power: max. 10 kilowatt
Packing material: CPP/PVDC/PE
May pack meat, cheese, frozen food, vegetables and other foodstuffs.

Model WG-1000 *Automatic Box-Making Machine*
Manufactured by Sugano of Japan

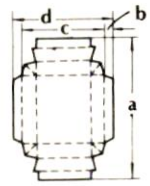
Descriptions:
Box size:

1.



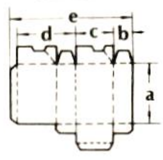
	Largest	Smallest
a.	700 mm	110 mm
b.	175	15
c.	350	70
d.	525	115
e.	710	150

2.



	Largest	Smallest
a.	700 mm	110 mm
b.	100	20
c.	600	80
d.	640	120

3.



	Largest	Smallest
a.	450 mm	100 mm
b.	120	40
c.	180	60
d.	300	100
e.	620	210

This vodka used to be labeled "Sunflower," which brought to mind a type of vegetable oil in the US sold under a similar name. The switch to Great Wall was the first time the Chinese have permitted a change in not only name but also label design in the US.

Packaging

On the whole, packaging has been very satisfactory. Few goods from the PRC have arrived broken. Unfortunately there is no convenient breakdown of what proportion of Chinese foodstuffs come into the US in packages, bottles, or cans. A problem which does arise from time to time is a detention by FDA because goods are packed in material, such as straw, which is not allowed in the US. Importers should be careful to check packing materials against FDA regulations.

Shipping

While occasionally Chinese foodstuffs are airfreighted to the US, such as asparagus to Los Angeles, most Chinese foods come by sea. Importers would like to see shipping time shortened and are anxious for direct shipping to begin. As it is now, it commonly takes one to two months for orders to be filled, one to three months before shipment begins, and two months on the ship. Transshipment usually means further delays and added expenses to the importer when the goods finally arrive. Often when goods are transshipped, the buyer is not notified of the carrier or date of arrival.

Supply

Larger importers are finding trade with China increasingly frustrating because they have not been able to secure the supplies they need. One US importer, for example, ordered tons of beans and was able to obtain only a sample. When China is unable to provide the quantity needed, this means supplies are down or else China is holding back, selling according to allocations, and selling to "friends." To have to go to the Canton Fair to buy and then not be able to obtain the amount of products needed is not worth the time or expense to big importers. China is not profiting by selling in allotments: she might begin selling where the demand is highest.

Expense

Despite the high quality of many foods from China, it is an unprofitable and often expensive business for many importers. The original cost, plus high duty, insurance costs, the risk of FDA detention or rejection, and the cost of reconditioning the product or adding labeling information makes the imported item very expensive. Importers could write-off these expenses in selling the items at a high price but with competition from others selling the same item, the price must be kept competitive. There is even greater competition from the same goods produced in the US or imported under Column I tariff schedules.

Another challenge comes from Chinese goods reexported from Hong Kong to the US which the American importer either cannot obtain in China or can buy in China but only at higher prices. Furthermore, with the dollar devaluation against the RMB of more than 5% along with the Japanese yen this past Fall, the original Chinese price has in some cases become noncompetitive, albeit temporarily. Since firms in the US cannot buy Chinese currency forward, this adds to their frustration.

Expenses could of course be kept down with MFN but they might also be less if China appointed exclusive distributors. Peking has, it seems, made a move in this direction in sales of alcoholic beverages, namely Tsingtao beer, Mao Tai and vodka, though distribution of these beverages is not strictly on an exclusive basis yet. Before importing these items the importers did considerable market research, still continuing. Promotions of these liquors are now underway. The Mao Tai importer may be given the exclusive for other wines. China may plan to appoint exclusives as it becomes more familiar with importers and is able to determine which importers have been most successful in marketing its goods.

Selecting exclusives, however, will not solve the price problem although exclusive agents may, like old friends, get better deals. Many importers would like to see some prices reduced or else the goods sold in US dollars. There has been at least one case of a US importer able to get his contract denominated in dollars (see *UCBR* September-October 1974, p. 36).

Although China has been steadily raising its prices, as a whole, it has also been fair to importers. If a price has been lowered, China is sometimes willing to renegotiate with importers who placed orders under a higher price, provided they have not yet opened their letters of credit. Importers are asked to provide evidence of an unfair deal. China has also allowed some importers to cancel further shipments of foods which have not passed FDA regulation. Basically, China does not want the importer to lose out and appears sincere in wanting to improve trading conditions.

Conclusion

The problems which have arisen in canned, frozen and dried foods, such as supply, FDA regulations, use of brand names, prices and market unfamiliarity are not only the same for all three areas but are similar to problems that have arisen in importing Chinese goods other than foodstuffs. These problems can be solved. A number of major US food processors have offered advice to China on the best means of selling to the US and of penetrating its market. China has also been besieged by suggestions from importers, large and small.

China has a number of options if she wishes to make serious headway in her attempts to market foodstuffs in the US. Each of these options has its positive and negative aspects, complicated by a wholesaling system with 140 individual subtypes (according to the 1957 Standard Industrial Classification Manual). The agent and broker segment of the wholesaling structure has seven types of functionaries alone—auction companies, purchasing agents, export-import agents, manufacturers agents, selling agents, commission merchants and merchandise brokers. China must first choose those she has come to respect as honest and reliable customers if she wishes to have help from importers in increasing sales of Chinese products in the US. But a logical step would also be to establish official agents of China's foreign trade corporations in the US.

If China should decide to give the marketing task to importers or to large processors, she might appoint exclusive agents for certain products to market those products under China's brand names, or Chinese names which have been agreed upon between the seller and importer. This is a good initial marketing technique, especially if China is ready to provide only limited quantities of the products involved. But it can also have a limiting effect on sales because of a tendency toward high mark-ups with low-volume sales, limited public acceptance because of relatively high shelf prices, and possible difficulties in later renegotiating supply agreements to broaden sales channels.

The PRC could sell in bulk to large US processors who would sell China's products under US brand names. This, of course, extinguishes the Chinese trademark and transfers control of the product to the US retailers or processors, but its advantage is that the US firm stands behind the product, markets it, and takes the responsibility for promoting it.

China could also sell to both exclusive agents and to large food manufacturers, giving the agent control of specialty items and the large producer control of more staple goods which might not be able to compete in the US under Chinese brand names.

If on the other hand, China does not want to risk losing brand names and wishes to market her own goods in the US, she must consider hiring independent market researchers, consultants and advertising agencies. In this case, it would be important for China's trading agencies to be able to follow up market surveys with sales campaigns. At present, China's methods of doing market research, considered rather amateurish by some, may give the PRC only a spotty grasp of the US market rather than the full picture for any particular product.

At this stage, the PRC can count on help from all quarters in the US.

In addition to large and small importers, there is also the food industry, which is quite willing to discuss with China problems of distribution, processing, means of complying with federal regulations, ways of introducing new products to the market and the needs of the US market.

With trade between the US and China less than four years old, it is not surprising that it will take plenty of time and patience for the most populous nation on earth and the world's largest consumer market to know each other's tastes, needs and business practices: There will be continuing interest in Chinese foodstuffs on the US side, but that interest must be stimulated by knowledge that China is making serious efforts to promote its goods here.

For the moment, as far as the US public is concerned, that promotion is low-key: The chances are the average shopper will find no products from the PRC on his or her supermarket shelves. This is the mass market where, if China wants mass acceptance for its foodstuffs, the real impact must be made. One day, when China has been able to "export more and better goods to meet the requirements of the people of other countries" as her Foreign Trade Minister has promised (see *UCBR* Vol. 1, No. 5, p. 17), we may go looking for Chinese products at the supermarket simply because they are good products. Until that day, there is much work to be done and many decisions to be made on both sides of the Pacific.

Harned Hoose in China

MEMBER'S PROPOSAL— A Sino-U.S. Joint Economic Mission

Although the United States and the People's Republic of China have many acknowledged differences, the two nations are uniquely qualified to join together in a bilateral commencement of a program to begin putting this planet together again economically. The program I envisage would soon attract the participation of the other great financial powers.

Harned Pettus Hoose, who heads Hoose China Trade Services, a Council member firm in Los Angeles, has proposed a joint US-China endeavor as an answer to the world's economic problems—particularly problems of international trade. Mr. Hoose's recommendation is that "the United States, with its great share of the world's wealth and food-producing capacities and its shortage of energy sources, should join with the People's Republic of China in a program to begin to solve the world's most pressing economic problems."

The proposal, whose acronym is JADE, may be of interest to member firms of the National Council, and is printed here, in Harned Hoose's own words. The publication of this proposal in UCBR *does not represent endorsement by the National Council.*

. . . I propose that the United States and the People's Republic of China join together and announce to the world that they intend to cooperate in launching an eventually multi-national worldwide program to provide food, energy materials and facilities, to reconstruct depressed or ravaged areas, to prime the international pumps of foreign trade, and to invite all of the major economic powers to participate.

Areas of Cooperation

I suggest that the two nations simply and clearly announce that they intend to cooperate together in providing emergency food, financing, medical supplies and other help to peoples who need them; that the two nations intend to cooperate with each other in reconstructing the ravaged portions of Asia; and that they expect to do so partly through joint aid and partly through trade.

I suggest that the United States and China join in forming a bilateral commission to plan the details, make the first deliveries of foodstuffs, clothing, construction materials, labor brigades, and the like, and then invite Japan, West Germany, Australia, New Zealand and other European and Asian countries to participate. The United States and China should suggest that other food and materials-rich nations join in, perhaps through their respective bilateral trade relationships with various cooperating countries.

For our part, American involvement should include government and private industry, with our great international corporations providing machinery, equipment, technology and expertise, all for fair prices in international trade. The funding could be a combination of financing through world or regional financing agencies; OPEC funds; U.S. private foundations and banks; and hard dollars of the user nations, generated through trade.

Consulting Committee

An example of an advanced-stage transaction under the plan might involve something like the following:

1. A Consulting Committee, jointly headed by representatives of the U.S. and the People's Republic of China governments and composed also of governmental representatives of each nation participating in the particular transaction, would "broker" or match together the various interests.
2. Private enterprise entities from the U.S., Canada and Australia would sell to the nominees of the Consulting Committee (limited to the nations participating in the particular transaction) the required amounts of grain and foodstuffs, at world market rates.
3. Simultaneously, private enterprise entities from Japan, West Germany and the United States would sell to the nominees of the Consulting Committee the required amounts and types of machinery, equipment and technology.
4. At the same time, one or more of the OPEC nations and the People's Republic of China through their normal State trading companies, would sell to the nominees of the Consulting Committee the required amounts and types of crude oil or petroleum products.
5. The dollar values at world market rates of each category—grain and foodstuffs; machinery, equipment and technology; crude oil or petroleum products—would be approximately equal.
6. As might be necessary in a particular transaction, funding would be in various combinations in hard dollars via private sector financing; existing or specially created international or regional government-supported financing bodies; or government loans, including those which may be available from one or more of the OPEC nations.

A Sample Transaction

The Consulting Committee would assist in "brokering" or matching interests in the transaction. For example, the following illustration might apply in a particular transaction:

a. The grain and foodstuffs could be allocated, say, 90% to be divided among Japan, China and the participating OPEC nation or nations, in a ratio relating to the contribution of each in the particular transaction. The remaining 10% could be allocated to less developed or food-short nations participating in the transaction.

b. The machinery, equipment and technology could be allocated, say, among China, the participating OPEC nations and less developed or food-short nations participating in the transaction, in the same or some other relevant ratio.

c. The crude oil and petroleum products could be allocated, say, among the U.S., West Germany and Japan, in this particular example, with again perhaps 10% being allocated to less developed nations participating in the transaction.

Although some portions of the transaction might be in semi-barter form, most of the transaction would involve simultaneous, reciprocal multinational sales.

In effect, the stronger and more developed nations would pay a premium in the form of the 10% "tithe" or accommodation to a less developed or food-short nation, which would be permitted to pay for its purchases with extended terms or soft dollars, or even to receive aid.

Such transactions would supplement existing international or regional plans and would fill in gaps not covered by them. Moreover, such transactions would harness profit motives, both in the Western markets and in the communist nations.

The key here is to have China and the U.S. start the comeback by getting together and mapping out their humanitarian objectives, without regard for national boundaries or allies. The initial target should be to meet immediate food and medical needs. Then, the reconstruction of Southeast Asia and assistance in Africa could be targets.

I am convinced that if the U.S. and China would first set their joint humanitarian targets and then invite others to join in, the business sectors would be primed and would follow.

. . . In China, precious "jade" stands for purity, strength, enduring values, high purpose and similar things. So let's call the new program's initial step "JADE," J-A-D-E, for Joint Asian-American Development Enterprise. And let us Americans invite and challenge the Chinese to join us soon in applying the jade standard to the peoples of Asia and beyond." 完

IMPORTERS' NOTES

New National Council Board Member

At its semiannual meeting on December 4, the National Council's Board of Directors elected Mr. Harold Potchtar, a member of the Importers Steering Committee, to its membership. Mr. Potchtar is another importer on the Board; Mr. Kurt Reinsberg, Chairman of the Importers Steering Committee, is a charter member of the Board.

New ISC Member

Mr. Kurt Reinsberg, Chairman of the Importers Committee, announced recently that Mr. Stanley Lubman, President of Lubman and Company, has been appointed to membership on the Importers Steering Committee. Mr. Lubman, who speaks Chinese, is a welcome addition to the ISC, which, together with its chairman, now numbers ten people who represent a broad range of product areas.

NC and AIA Cooperation

The National Council and the American Importers Association are discussing arrangements for cooperation with regard to this year's visit by the China Council for the Promotion of International Trade.

New Textile Subcommittee

At the December 5 luncheon meeting, National Council importers decided to form a subcommittee on textiles. Those who volunteered to serve on the committee include: Robert Altman (IDC Marketing), Robert Boulogne (J. C. Penney), Victor DeLoya (US-China Trade Corporation), Paul Goldberger (C. Tennant Sons & Co.), Stanley Lubman (Lubman & Co.), and Veronica Yhap (Dragon Lady Traders, Inc.). The subcommittee has been divided into two parts: ready-made garments and piece goods. The first meeting is scheduled for late January.

ISC Procedural Rules

A set of rules governing the composition and activities of the Importers Steering Committee (ISC) was proposed for consideration. Essentially the rules provide for the following:

- ISC limited to 10 members, with an effort to be as broadly representative of the importers community as possible
- Subcommittees to deal with specific problems will be formed as necessary
- The composition of the ISC will be changed regularly by requiring that 3 of the members be replaced each year. A provision also calls for the replacement of members who prove insufficiently active in ISC affairs
- All National Council importers in good standing are eligible for membership on the Importers Steering Committee.

Tientsin Carpet Fair

The People's Republic of China has announced that a first-time Carpet Fair will be held in the city of Tientsin from February 25-March 5. The Fair will be devoted exclusively to carpets and is by invitation only. In response to a request from Chinese commercial officials, the National Council submitted a list of firms to whom it recommended that invitations be issued. The National Council will be represented at the Fair by Chiao Jen Wang, President of the International Corporation of America. ICA, a National Council member firm, was among the first importers of Chinese carpets to this country. The National Council has received 1-2 invitations to the Fair from the Native Produce and Animal By-products Corporation. During the Fair a large volume of Chinese traditional carpet designs and new designs for 1975 will be displayed. Tapestries with scenic designs will also be on show. Goods will be available for spot purchase. 瓷

INTERNATIONAL CHINA NOTES

China Buying Reports

Vehicles—Toyota has sold Machimpex 158 "Toyoace" minitrucks and 40 "Coaster" minibuses through Tokyo Boeki. The Y180 million contract followed by ten months a Chinese order for 1,400 "Crown" passenger automobiles from the Japanese vehicle manufacturer. Despite these transactions total Japanese vehicle exports to the PRC numbered less than 3,600 in 1974, down considerably from the estimated 16,000 contracted for the previous year.

Technology—In an energy related development Tokyo's Bridgestone Liquified Gas Co. has sold China technology for the liquefaction of natural gas. According to an official of the company, the sale will enable Japan to begin imports of liquefied petroleum gas from the PRC by 1978.

Agricultural—Mitsui Toatsu Chemicals has begun to export, in sample quantities, agrochemical products to China, including insecticides for protection of rice plants and herbicides. So far the Japanese firm has supplied Peking only with urea and other fertilizers, but company officials believe that this first transaction involving agrochemicals could be the beginning of a substantial export trade with China. Traditionally, Mitsui Toatsu exports only about 1% of the agrochemicals it produces.

Plant—Kuraray will supply Techimport with an $18 million polyvinyl alcohol installation. The plant, scheduled for completion in April 1976, will have a capacity of 45,000 tons annually. Financing has been arranged with Japan's Ex-Im Bank with 15% down payment followed by semi-annual remittances over 5 years at 6.5%. Previous turnkey plant sales involving the Japan Ex-Im Bank and China have called for 20% or 30% down payment and 6% interest over 5 years.

No More American Wheat?—In a meeting with Japanese industrialists, China's Vice-Premier Li Hsien-nien reportedly stated that China would not be importing more US grain. Li pointed to adequate stockpiling and agricultural self-sufficiency as the reasons for the buying curb. In 1973 total US agricultural exports to the PRC amounted to about $580 million.

Titanium dioxide—As a result of the recent Australian exhibition in Peking, LaPorte Ltd. of Bunbury, Western Australia, hopes to win a $1 million contract to supply Minmetals with titanium dioxide. The company is confident that the 500 ton volume it shipped to China in 1974 can be doubled or even trebled during 1975.

Packing Plant—China has purchased a plant for packing bulk raw sugar from the Colonial Sugar Refinery of Queensland, Australia, at an undisclosed price. The plant will be shipped from Townsville and reassembled at a major Chinese port.

Packaging Equipment—Discussions on packaging equipment have begun between the PRC and Sweden's Tetra Pak International AB. A delegation of the Chinese External Trade Packaging Study Unit, probably affiliated with the recently formed China National Packaging Corporation, visited a Tetra Pak installation in Japan recently, and came away particularly impressed with the firm's antiseptic packaging system which enables such perishables as milk and fruit juice to be stored for long periods of time without refrigeration.

Sino-Australian Trade—One of the results of the Australian Exhibition in China was the signing of trademark agreement between the two countries. Deputy Prime Minister James Cairns said he expects some A$15 million in Australian exports to reach the PRC in the next 12 months as a direct consequence of the exhibition.

Vessels—Japanese ship exports to China declined sharply in 1974, totaling only 35 vessels, valued at approximately Y15 billion. In 1973, 113 Japanese ships, worth Y60 billion, were sold the PRC. Most of the 1974 transactions took place in the early part of the year. In 1973 Chinese officials told their Japanese counterparts that Peking intended on importing some 300 working vessels. About a third of that number has now been reached.

Polyester—Three Japanese firms have contracted to sell 10,000 tons of polyester staples to the PRC, deliverable in the first quarter of 1975. Toray, Teijin and Toyobo took part in the deal while Unitika, waiting in the wings, is expected to announce a similar contract soon. China will pay slightly over Y400 per kilogram.

Deferred Payment on Steel—During a recent visit to China by representatives of four major Japanese steel companies, the Chinese suggested they pay for Japanese steel on a six month deferred basis, rather than on the cash basis employed until now. Peking's annual steel purchases from Japan have been running at about 2 million tons and have been the fastest growing of Japan's exports to the PRC.

Airplane Parts—Lucas Aerospace sold China £1.4 million worth of spare airplane parts. The order, which includes test equipment and other components, is in connection with Machimpex's purchase of Hawker Siddeley Tridents.

Brake Linings—The appearance of Don Brake Linings in the British Industrial Exhibition in Peking has paid off with a Machimpex order for 1,000 sets of heavy duty brake linings for Volvo trucks. The company believes Chinese visits to their Manchester factory prior to the exhibition helped create interest which ultimately led to the contract.

Color Television—German industry sources have confirmed that China will adopt the PAL system of color television transmission. This means that PRC contracts for color TV equipment will go to West German and Japanese manufacturers. Two PAL mobile units have already been ordered from Toshiba.

Plant Equipment—Kraus Maffei of West Germany will furnish the PRC with nine high capacity centrifuges for synthetic fibre production. The machinery, valued at 1.5 million DM will be installed at the Technip/Speichem polyester fibre plant now under construction in Northeast China.

Bacteriacide—Meiji Seika of Japan has contracted to export 500 tons of Phenazine bacteriacide for rice leaf blight. The transaction, valued at almost $1 million, represents the largest yet concluded between Meiji and the Chinese. Delivery is expected by the end of March.

Payment Problems?—A Chinese request for a one-year deferment in paying for fertilizer imports from Japan has heightened speculation that the PRC is suffering from an acute balance of payments problem. The Chinese offered Tokyo 11% annual interest in exchange for the fertilizer payment delay, but Tokyo made no final commitment, preferring to recess negotiations until late January. Earlier, similar PRC requests on Japanese steel and textiles were reported.

China Selling Reports

Oil Price Problems—China's projected 1975 oil exports to Japan, estimated by some as likely to reach in excess of 10 million tons, may have hit a snag. Kokusai Sekiyu and the Chinese Oil Import Council, Japan's two conduits for the import of Chinese crude, have informed Peking of their displeasure over the price of Chinese petroleum. Citing the lower price of Indonesian Minas crude, similar in quality to China's oil, the Japanese are reportedly rethinking their import policy, in the hope of inducing Peking to make price cuts.

More Oil for Hong Kong?—More Chinese oil for Hong Kong may be a reality if recent reports of a newly discovered oil field in South China are true. At the same time, any large reserves in that area would eliminate the nearly prohibitive costs of shipping crude from China's principal fields in the North and Northeast to the industrially developing south and south central areas of the country. Heretofore, the only indigenous oil in the south came from shale deposits, located in the vicinity of Maoming, Kwangtung Province. In a related development, China has announced, somewhat belatedly, the completion of a 691.2 mile oil pipeline from Taching in the Northeast to Chinghuangtao, a port city near Peking. A parallel line, says the New China News Agency, runs from the oil field to Tiehling in Liaoning Province.

Vegetables—Planning against anticipated shortages, the Tokyo Metropolitan government will send a fact-finding mission to the PRC to study the possibility of large scale imports of Chinese vegetables. The Japanese are reportedly interested in soybeans, onions, and kidney beans.

Coal—Nissho-Iwai, Sumitomo Shoji, C. Itoh and four other Japanese trading firms have announced their intention to purchase 79,800 tons of steam coal from the PRC in the second half of Fiscal 1974 (ending March 1975). Price per ton was put at about $21 FOB. The volume of this transaction means that China is now challenging Australia for the number one position among steam coal exporters to Japan. In the first half of FY 1974 PRC sales of steam coal to Tokyo amounted to only 22,000 tons, but with this latest contract, some Japanese industrialists are predicting that China's coal exports to Japan may swell to between 200,000 and 300,000 tons next year. Japan has dramatically increased its imports of steam coal in the wake of the oil crunch.

Toys, Sporting Goods to the US—American consumers can expect to find sporting goods and toys from the PRC in retail outlets soon. A new US marketing company, New China Toys and Sporting Goods Corp., has been formed by Illfelder Toy Co., China Trade Corp., and David Blank. The firm's president, Martin Scheman, said the first shipment of Chinese merchandise, now enroute to New York, contains approximately 500 different toy products and 75 different sporting goods items.

Air and Sea

China and France—China has signed an "agreement on cooperation in technical survey" with the International Shipping Registry Society of France. Before finalizing the pact in Paris, the Chinese delegation had attended the fifth extraordinary session of the UN Maritime Intergovernmental Safety of Life at Sea Conference.

Aviation Progress—A recent New China News Agency report has called attention to China's expanding role in international aviation. As well as citing the four fold increase in the CAAC international route system from 3,000 kilometres up to 12,000 kilometres since September, the article made reference to large scale construction projects involving airports, and improvement of communications, maintenance and other aviation related facilities. According to the commentary, Peking Airport will shortly undergo a wholesale modernization effort including construction of new runways, passenger terminal and a hotel for passengers in transit.

Teheran-Peking—Iranair has followed JAL into the China market with the inauguration of a Teheran-Peking-Tokyo route. The Japanese carrier is delighted with its 50% Peking-Tokyo load factor, having anticipated only 30%. Next international carrier expected to touch down in the Chinese capital: Swissair, with service from Zurich and Geneva via Athens and Bombay scheduled to begin in early Spring.

China-Albania—CAAC has begun Peking-Tirana direct service. The route to Albania passes through Teheran and Bucharest.

Finnish Aviation in Peking—An official Finnish civil aviation delegation, led by Ulf-Erik Slotte, Special Advisor of the Ministry for Foreign Affairs, recently left Peking for Helsinki after discussions with Chinese counterparts, including Ma Jen-hui, Director General of CAAC. The visit resulted in a Sino-Finnish aviation accord, and is viewed as a prelude to the initiation of direct air service between Finland and the PRC.

China and Sweden—A Swedish shipping delegation recently visited Peking. While in the Chinese capital the group was hosted by a Deputy Director of the Transport Bureau of the Chinese Ministry of Communications. The two cities are reportedly close to final agreement on a navigation treaty. Both sides expect the pact to be concluded by early 1975.

Exhibitions and Exchanges

Japan at the Fair—Sino-Japanese contracts signed at the Fall Kwangchow Fair reached about $260 million, according to the Japan International Trade Promotion Organization. This represents a 30% increase over the volume of business conducted between the two countries at the Spring Fair. Anthracite coal and soybeans attracted major interest among Japanese importers while the Chinese reportedly purchased sizable quantities of public works machinery, electronic instruments, and machine tools.

China and Afghanistan—China and Afghanistan have signed an agreement on economic and technical cooperation. Representing their respective governments at the ceremony in Peking were Chinese Vice Foreign Minister Han Nien-lung and Afghan Deputy Foreign Minister Sayed Waheed Abdullah.

Sino-Japanese Trade Imbalance—Chinese Vice Premier Li Hsien-nien has told a Japanese economic delegation that the current imbalance in Sino-Japanese trade, now running heavily in Tokyo's favor, presents no real difficulties for long-term commercial exchanges between the two countries, as long as the imbalance can be corrected in the long run. The delegation was made up of top level executives of 13 companies in the Mitsui group including Mitsui and Co. President, Yoshizo Ikeda.

China and Brazil—China and Brazil, following a meeting by governmental representatives in Peking, have signed a trade agreement. No details of the agreement were revealed.

West Germany—An eight member Chinese delegation specializing in automatic equipment for meterological centers recently visited West Germany and the UK. The group was lead by Tsou Ching-meng of the Central Meterological Bureau.

Japanese Exhibitions—Two Japanese exhibitions recently concluded successful runs in China. Over 200 Japanese firms participated in an agricultural fair in Peking, sponsored by the Japan Association for the Promotion of International Trade. The same organization sponsored a printing and packing machinery show in Tienstin. More than 100 manufacturing firms and trading companies took part in the show at which Y1.4 billion worth of goods were displayed.

China and Norway—The PRC and Norway have come to terms on a trademark agreement. Discussions were concluded between the Chinese Foreign Ministry and the Norwegian Embassy in Peking.

China-Iran—China and Iran have signed a trade agreement under which Teheran will sell the PRC cars, chemical products, machine tools and domestic equipment in exchange for rice, vegetable oils, dye stuff and cattle.

DIRECT ROUTE TO PEKING

Japan Airlines and CAAC's New Tokyo-Peking Service

On September 29, 1974, the second anniversary of the establishment of diplomatic relations between the PRC and Japan, a JAL jet flew from Tokyo to Peking, marking the resumption of direct air service between the two Asian capitals. There are now four flights a week, equally divided between Japan Airlines and the Civil Aviation Administration of China (CAAC), in each direction, representing the fastest route to Peking for the American businessman.

JAL, Northwest and Pan Am all fly from the US to Tokyo, providing easy access to Peking connections. With the introduction of the JAL/CAAC China service, flying time from the US to Peking has been reduced to under 24 hours, a considerable improvement over the circuitous Hong Kong-Kwangchow-Peking route or other services via Europe (other routes to Peking are illustrated on page ..).

In the first month of service, JAL carried 1,214 passengers and CAAC 1,434 passengers in the newly inaugurated Tokyo-Shanghai-Peking air service. This was about 50% capacity for JAL, 55% for CAAC. JAL's cargo for the month was 24 tons.

Complete round trip schedules between Tokyo and Peking are as follows—

Tokyo-Peking

Monday JAL 785
DC 8
Dep Tokyo 0900
Osaka
Shanghai
Arr Peking 1515

Tuesday CAAC 922
707
Dep Tokyo 1640
Shanghai
Arr Peking 2135

Wednesday JAL 781
DC 8
Dep Tokyo 0900
Arr Peking 1225

Friday CAAC 924
707
Dep Tokyo 1515
Osaka
Shanghai
Arr Peking 2130

Peking-Tokyo

Monday JAL 786
DC 8
Dep Peking 1645
Arr Tokyo 2130

Tuesday CAAC 921
707
Dep Peking 0730
Shanghai
Osaka
Arr Tokyo 1510

Wednesday JAL 782
DC 8
Dep Peking 1355
Shanghai
Osaka
Arr Tokyo 2135

Friday CAAC 923
707
Dep Peking 0730
Shanghai
Arr Tokyo 1345

Cargo by Air To and From China

All manner of goods have been imported from the PRC by air during the past year. Typical aircargo goods have included cashmere items, floorcoverings, cotton tapestries, menswear, vegetable drugs, semiprecious stones, glassware, medical instruments, a 16 mm motion picture projector, rubber balls, jewelry, paintings, antiques and wigs.

Aircargoes are sent via whichever is the most immediate flight. Rates via Japan in early January 1975 were as follows, in US dollars per kilo—

	East Coast		West Coast (SF) *	
Kilos	Shanghai	Peking	Shanghai	Peking
Minimum	22.00	22.00	18.00	18.00
Under 45	7.12	7.12	7.72	7.81
45-100	6.05	5.65	5.73	5.96
100-300	5.03	4.63	5.05	5.04
300-500	4.07	3.67	4.51	4.11
500 plus	3.90	3.50	4.18	3.93

* Slightly higher rates from Los Angeles. West Coast rates to Shanghai are subdivided further than listed.